

RECOMMENDATIONS TO IMPROVE THE
PERFORMANCE OF THE SOCIAL SECURITY
ADMINISTRATION AS AN INDEPENDENT
AGENCY

HEARING
BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS
SECOND SESSION

SEPTEMBER 12, 1996

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**RECOMMENDATIONS TO IMPROVE THE
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THURSDAY, SEPTEMBER 12, 1996

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:30 a.m., in room B-318, Rayburn House Office Building, Hon. Jim Bunning, (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
September 5, 1996
No. SS-7

CONTACT: (202) 225-9263

Bunning Announces Follow-up Hearing on Recommendations to Improve the Performance of the Social Security Administration as an Independent Agency

Congressman Jim Bunning (R-KY), Chairman of the Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold an oversight hearing to further examine issues raised at its July 25, 1996, hearing on the performance of the Social Security Administration (SSA) as an independent agency. The hearing will take place on Thursday, September 12, 1996, in room B-318 of the Rayburn House Office Building, beginning at 10:30 a.m.

In view of the limited time available, oral testimony will be heard from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

On July 25, 1996, the Subcommittee held a hearing to examine SSA's first-year performance as an independent agency. At that hearing, the Comptroller General presented testimony regarding the General Accounting Office (GAO) review and assessment of SSA's performance in areas GAO regarded as critical to SSA's ability to meet future challenges.

In announcing the hearing, Chairman Bunning stated: "I am very interested in following up on the recommendations made by the Comptroller General to help SSA better prepare to meet both current and future challenges. In particular, I am deeply concerned that the integrity of SSA's programs and its operations, which maintain sensitive records on just about all of the Nation's 260 million citizens, be adequately monitored and protected by the new Office of the Inspector General from fraud and abuse. I have asked the new SSA Inspector General to advise the Subcommittee on what steps need to be taken to maintain the integrity of SSA programs and operations.

"I am also concerned that SSA more realistically focus its disability redesign efforts so that there are measurable results in the near term, not the next century. Finally, I am concerned that SSA be prepared to best take advantage of its statutory mandate to send a Personal Earnings and Benefit Statement to each of the roughly 123 million working Americans in the year 2000. I have asked GAO to present the results of additional work it has done on these issues at the hearing."

FOCUS OF THE HEARING:

This hearing will provide a more in-depth focus on recommendations made by the Comptroller General in three key areas: (1) SSA's need to limit opportunities for waste, fraud, and abuse in both its programs and operations through its newly-established Office of the Inspector General; (2) SSA's need to adequately plan and prepare to meet most effectively its statutory mandate to send a Personal Earnings and Benefit Statement to every worker age 25 and older beginning in the year 2000; and (3) SSA's need to limit and better focus its disability program redesign initiative.

WAYS AND MEANS SUBCOMMITTEE ON SOCIAL SECURITY
PAGE TWO

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement, with their address and date of hearing noted, by close of business, Thursday, September 26, 1996, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Social Security office, room B-316 Rayburn House Office Building, at least two hours before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are now available on the World Wide Web at '[HTTP://WWW.HOUSE.GOV/WAYS_MEANS/](http://WWW.HOUSE.GOV/WAYS_MEANS/)' or over the Internet at 'GOPHER.HOUSE.GOV' under 'HOUSE COMMITTEE INFORMATION'

Chairman BUNNING. The Subcommittee will come to order.

Today's hearing is to follow up on the recommendations to improve the performance of the Social Security Administration as an independent agency made by the Comptroller General at the Subcommittee hearing on July 25.

We will hear testimony from the new Social Security Inspector General, David Williams, about how well equipped his office is to combat and prevent waste, fraud, and abuse of the Social Security Trust Funds.

The General Accounting Office will testify on the results of its research into the effectiveness of the personal earnings and benefit estimate statements which SSA will be sending to almost every American worker, 123 million, by the year 2000.

GAO will also update the Subcommittee on the progress of SSA's disability program redesign initiatives.

In addition, we will hear from the representatives of the State DDS, Disability Determination Services, about their views on the redesign of the disability program.

I think this is particularly important that we hear from the State DDSs because these are the people who work the frontlines and know the process best. They make the initial determinations regarding whether a person is disabled or not. I hope that they will share with us their observations and recommendations to make the process more effective and efficient.

This is the last hearing the Subcommittee will hold in this Congress. I will not get another opportunity to thank the Members of the Subcommittee for their hard work and dedication over the past 20 months or so. I could not have asked for better Members, and it has been an honor and pleasure to serve as their Chairman, but none of us has dedicated more time or energy to the Social Security system and its needs than our Ranking Member, Andy Jacobs. Mr. Jacobs has tirelessly worked for the betterment of this program for over 20 years, always putting that concern above partisan politics. He is truly a man of honor. This will be Mr. Jacobs' last official meeting with the Social Security Subcommittee, and I will miss his counsel and advice, but most of all, his friendship.

In the interest of time, it is our practice to dispense with opening statements except from the Ranking Democratic Member. All Members are welcome to submit statements for the record. I yield to Mr. Jacobs for any statement. This is your last chance, so make it good.

Mr. JACOBS. Well, Mr. Chairman, I am speaking for the record here, and that lasts for quite a while, when I say that it is pretty heavy stuff to be praised by a member of Baseball's Hall of Fame. There aren't very many Americans who have achieved that, and your friendship—I used to say the congressional terms are for 2 years, friendships are forever, and I am sure that we regard ours as that.

I return the kind words about devotion to duty. You have always been here promptly. Your hearings start exactly on time. You have been concise, and you have been right in your views about Social Security in every instance except one, which is to say we have agreed on every instance except one. I have seen these things happen over and over again and always thought they were a little bit phony when I would see the Democrat and Republican for Speaker

and Minority Leader get up and make their little comments at the beginning of each Congress, but at this moment, I realize that such exchanges do not necessarily have to be honey because I know yours is heartfelt, and so is mine.

Chairman BUNNING. I thank Mr. Jacobs, and I would like to ask the first panel if they would please take their seats at the table.

Hon. David C. Williams, who is the first Inspector General of the independent Social Security Administration; accompanied by Daniel Blades, Deputy Inspector General; Pamela Gardiner, Assistant Inspector General, Audits; and James Huse, Assistant Inspector General, Investigations.

Mr. Williams, if you will sit down and give us your testimony, I would appreciate it. Take all the time you need.

STATEMENT OF HON. DAVID C. WILLIAMS, INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION; ACCOMPANIED BY DANIEL BLADES, DEPUTY INSPECTOR GENERAL; PAMELA GARDINER, ASSISTANT INSPECTOR GENERAL, AUDITS; AND JAMES HUSE, ASSISTANT INSPECTOR GENERAL, INVESTIGATIONS

Mr. WILLIAMS. Thank you, Mr. Chairman and Mr. Jacobs.

Chairman BUNNING. We will have more Members joining us. They do not start on time, but we do.

Mr. WILLIAMS. Thank you.

I am pleased to appear before you today to discuss the recently created OIG, Office of the Inspector General, at the Social Security Administration. The Subcommittee has asked that I describe the internal and external challenges facing our office and discuss what resources are needed to adequately perform our mission.

The Subcommittee's July 25 hearing focused on the future of SSA and included a discussion of the OIG. U.S. Comptroller General Charles Bowsher testified as to the importance of eliminating fraud, waste, and abuse in SSA operations and programs. Mr. Bowsher expressed concern that the new OIG lacked the expertise and resources to properly audit computer initiatives and financial operations. Congressman Laughlin echoed these concerns and the need to preserve the integrity of SSA's programs through a strong OIG with adequate resources.

I want to begin by thanking this Subcommittee for its unwavering support of the Social Security Independence and Program Improvements Act of 1994, which created an independent OIG for the SSA. The new OIG is able to devote its resources exclusively to protecting the Social Security Trust Funds and U.S. Treasury moneys. The significance of a specifically focused OIG cannot be overstated in light of the 50 million Americans who rely upon SSA's programs.

Our new OIG is dedicated to helping build and maintain a powerful and efficient organization at the SSA. At stake is the reputation and financial viability of an agency that eventually provides benefits to nearly all Americans.

Last year, SSA issued 17 million Social Security numbers, processed 235 million earnings records, and paid \$331 billion in recipient and benefit payments. In fiscal year 1995, SSA's programs accounted for almost one-quarter of the \$1.5 trillion in Federal ex-

penditures. SSA employs nearly 65,000 people in over 1,300 offices and large work processing centers nationwide.

The mission of the OIG is to assess the agency's program efficiency and effectiveness through its 116 auditors and to combat fraud, waste, and abuse through its 166 investigators. Our Office of Audit consists of 14 teams that specialize in SSA's core business processes. Our investigators are located in 6 field offices that serve 1 or more of SSA's 10 nationwide regions.

In evaluating the organization's effectiveness, the OIG has focused on four fundamental activities critical to SSA's success in achieving service level goals and stewardship of government funds. Those are enumeration, earnings, claims, and postentitlement services. In addition, we have focused on other important programs such as information technology, financial management, payment accuracy, disability programs, policy and research, and the operations of the Office of Hearings and Appeals. Let me discuss several of these critical areas.

SSA's workload is increasing substantially as its start is decreasing. To meet this challenge, SSA is, in part, relying upon new and improved computer systems. The OIG needs to independently assure both SSA and the Congress that the agency's initiatives will actually improve productivity, are on schedule, and are protected from associated security risks.

Recent legislation has changed the focus of financial management from simply financial reporting to a much broader focus, which includes performance measurement. We recognize the importance of efficient and effective financial management to protect SSA's Trust Funds and U.S. Treasury moneys. Our audits will assess the adequacy of SSA's overall financial management and performance measurements.

Over 90 percent of the agency's benefit payments are accurately computed. However, annually, SSA processes almost \$2.5 trillion in wage reports and pays \$331 billion in claims. This volume of work means that even the slightest error rate can represent enormous costs to SSA and to the American people. We are currently leading an agency-wide task force to explore solutions for reducing these marginal, though chronic, payment error problems.

Due to significant growth in the number of individuals on disability and the associated increase in benefit payments, a host of problems have developed, such as CDR, continuing disability review backlogs, disability determination problems, and associated reports of fraud, waste, and abuse.

Congress has earmarked major additional funding to reduce the agency's CDR backlog. Further, legislation was recently enacted that discontinues disability payments to drug addicts and alcoholics. We will review and report on SSA's progress in improving the timeliness and cost effectiveness of its disability programs.

Additionally, I believe that an adequate investigative force is necessary to maintain credibility with the agency's employees and, most importantly, the American public. I have been impressed by the dedication of SSA's 65,000 employees in uncovering fraud and referring these concerns to the OIG for action. The American public is also active in reporting incidents of fraud to us. Our investiga-

tions of these allegations are essential to rebuilding public trust and the trust of the SSA employees.

Estimating fraud in government programs has never been done with certainty. However, some estimates, including a recent study by the American Board of Certified Fraud Examiners, reports that fraud within any population ranges from 2 to 6 percent. Even with a more modest estimate, SSA's investigative workload would involve tens of thousands of cases. Such a volume of work would clearly overwhelm the 166 investigators in our office.

To meet this essential workload, we are concerned about whether we have adequate resources in most locations. We have only 19 agents in our Western region, covering 7 States, including California. Here in the mid-Atlantic region, which includes Maryland, Delaware, Pennsylvania, Virginia, West Virginia, North Carolina, and the District of Columbia, we have only 13 agents. In our Denver office, we have four agents to provide total coverage to seven States.

In 1995, the Commissioner added 50 investigators to the OIG. Despite this increase, upon my arrival, the Commissioner suggested that I conduct a more comprehensive assessment of OIG resource needs. One aspect of the assessment was to benchmark our resources against 16 other OIGs. We discovered that our resource levels were well below the OIG community averages.

For example, the Department of Defense OIG has over 1,300 personnel safeguarding \$277 billion. The Department of Health and Human Services OIG has over 1,000 personnel safeguarding \$319 billion. By contrast, SSA/OIG has only 315 personnel safeguarding \$368 billion.

Each SSA auditor is responsible for safeguarding \$3.2 billion. The community average is under \$260 million. Each investigator must safeguard \$3 billion. The OIG community average is \$500 million.

Let me close by assuring you that resources to this new office have been a good public investigation. In the first year, our data indicate that each investigator returned \$181,000 and each auditor returned \$980,000. We also obtained 613 criminal convictions. Additionally, I am confident that these recovery levels and criminal convictions will rise as we mature as an organization and enter the new fiscal year with our full staff on board.

I believe in the mission of the Social Security Administration. It is vital that we as a society provide a financial safety net for our disabled and for the survivors of deceased American workers, and that we protect our citizens as they leave the workplace and rely upon their Federal retirement funds for a decent life.

We are dedicated to the protection of Social Security Trust Funds in which so many Americans have a stake. OIG agents face danger every day, often without thanks or recognition, as they strike at the predators who steal from the vulnerable elements of our society and from the savings of our retired citizens. Today, Mr. Chairman, you and the Members of the Subcommittee have recognized our efforts, and I am extremely grateful.

I wish to thank the Subcommittee again for focusing on the important and serious topic of infrastructure for my office.

I would be pleased to answer any questions you may have at this time.

[The prepared statement follows:]

**STATEMENT OF DAVID C. WILLIAMS
INSPECTOR GENERAL
SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to discuss the recently created Office of the Inspector General (OIG) at the Social Security Administration (SSA). The Subcommittee has asked that I describe the internal and external challenges facing our office and discuss what resources are needed to adequately perform our mission.

The Subcommittee's July 25, 1996, hearing focused on the future of SSA and included a discussion of the OIG. U.S. Comptroller General Charles Bowsher testified as to the importance of eliminating fraud, waste, and abuse in SSA operations and programs. Mr. Bowsher expressed concern that the new OIG lacked the expertise and resources to properly audit computer initiatives and financial operations at SSA. Congressman Laughlin echoed these concerns and the need to preserve the integrity of SSA's programs through a strong OIG with adequate resources.

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Our new OIG is dedicated to helping build and maintain a powerful and efficient organization at the SSA. At stake is the reputation and financial viability of an Agency that eventually provides benefits to nearly all Americans. Last year, SSA issued 17 million Social Security numbers (SSN), processed 235 million earnings records, and paid \$331 billion in recipient and benefit payments. In Fiscal Year 1995, SSA's programs accounted for almost one quarter of the \$1.5 trillion in federal expenditures. SSA employs nearly 65,000 people in over 1,300 offices and large work processing centers nationwide.

The mission of the OIG is to assess the Agency's program efficiency and effectiveness through its 116 auditors and to combat fraud, waste, and abuse through its 166 investigators. Our Office of Audit consists of 14 teams that specialize in SSA's core business processes. Our investigators are located in six field offices that serve one or more of SSA's 10 nationwide regions.

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(1) SSA's workload is increasing substantially as its staff is decreasing. To meet this challenge SSA is, in part, relying upon new and improved computer systems. The OIG needs to independently assure both SSA and the Congress that the Agency's initiatives will actually improve productivity, are on schedule, and are protected from associated security risks.

(2) Recent legislation has changed the focus of financial management from simply financial reporting to a much broader focus, which includes performance measurement. We recognize the importance of efficient and effective financial management to protect SSA's trust funds and U.S. Treasury monies. Our

audits will assess the adequacy of SSA's overall financial management and performance measurements.

(3) Over 90 percent of the Agency's benefit payments are accurately computed. However, annually SSA processes almost \$2.5 trillion in wage reports and pays \$331 billion in claims. This volume of work means that even the slightest error rate can represent enormous costs to SSA and the American people. We are currently leading an agencywide task force to explore solutions for reducing these marginal, though chronic payment error problems.

(4) Due to significant growth in the number of individuals on disability, and the associated increase in benefit payments, a host of problems have developed, such as Continuing Disability Review (CDR) backlogs, disability determination problems, and associated reports of fraud, waste, and abuse. Congress has earmarked major additional funding to reduce the Agency's CDR backlog. Further, legislation was recently enacted that discontinues disability payments to drug addicts and alcoholics. We will review and report on SSA's progress in improving the timeliness and cost effectiveness of its disability programs.

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Chairman BUNNING. Thank you, Mr. Williams.

I noted in your testimony that the Commissioner asked you to assess what resources your office would need to work effectively. Would you please tell us what you reported to her and her response?

Mr. WILLIAMS. I reported, first of all, on the method that we used in conducting the study, which consisted of a benchmarking effort, that I alluded to in my testimony, of the other Inspector General offices.

I also described to the Commissioner the audit universe and what a proper audit cycle would be; in other words, the time it takes to audit an office and then 5 years later return to that office. And I described the other methodology for the study.

I concluded to her that our investigative resources needed to provide a credible deterrent and also coordinate properly with Social Security's employees who are very well equipped to report their suspicions to us.

On the audit side, I suggested that we need to move as close as we were able to to the 5-year audit cycle that GAO has recommended. The Commissioner responded by saying that she understood that the investigative resources were very small, and she has agreed to seek to double those resources in a request to Congress.

We are continuing discussions on the audit side of things, and we are looking at the internal relationship between the Office of Inspector General and other program evaluation units inside the Social Security Administration.

Chairman BUNNING. Is it true or not true that there is a huge staff of auditors in SSA, approximately 1,200, that do similar or duplicative work? Could you recommend that those resources be shared and/or appoint some of those 1,200 people to your staff? I mean, it seems to me that SSA has 1,200 other auditors presently, in some respect, in a different section of SSA.

Mr. WILLIAMS. Yes, sir.

Chairman BUNNING. Wouldn't it be a little more effective if you could reallocate those resources into your shop and use them to do the audits that you think are necessary?

Mr. WILLIAMS. If I may, I will provide just a moment of background on that office.

Chairman BUNNING. That is the OPIR, Office of Program Integrity Review.

Mr. WILLIAMS. Yes, sir, that is correct.

They are led by an Assistant Commissioner within the Social Security Administration, and it is correct that they have 1,200 personnel. They have an approximate \$80-million-a-year budget.

They currently cover two broad areas. First, they do quality assurance checks within the agency to let us know that SSA's work is being done accurately.

Second, they conduct special studies, which are very similar to audits. They look at the programs and make recommendations for improvement.

I have had the concern and I have expressed it to people at the Social Security Administration that these programs do appear to be similar, particularly with regard to the Special Studies Program. Those seem to be audits, much as I conduct, and the Commissioner

has directed us at the Deputy Commissioner level and at my level, and the principal Deputy is involved as well, to engage in conversations much along the line that you have suggested, to try to get a better understanding of how these two components are to go forward.

Chairman BUNNING. Well, let me get down to the nuts and bolts of the thing. OPIR has a budget of \$80 million, staff of 1,200, while the IG's budget is \$26 million, and a staff of 313. There ought to be some discussions between you and the Commissioner and/or the Deputy Commissioner, whoever is in charge of this, somehow to combine the auditing sections. Is there no special program that will combine some of that money and get more auditors into your section where you need them? Could you get some kind of direction by the Commissioner or the Deputy Commissioner in charge of that section?

We are looking at over \$100 million, and a staff of 1,500-plus auditors. Is that correct? I mean, if you combine both sections?

Mr. WILLIAMS. Yes, combining them, that is right.

Chairman BUNNING. Well, if the IG's office is lacking in numbers, or seems not to be lacking, I would suggest that there be some kind of communication going on between you and the Commissioner or Deputy Commissioner in respect to those numbers. This should be done as quickly as possible because doing the audits and stopping the waste, fraud, and abuse we find in the Social Security system ought to be a priority. It's costing the taxpayers, retirees, and the disabled, money, as you might suspect.

Mr. WILLIAMS. Yes, sir. We are focused on that, and we are meeting later this month, in fact, and we have been meeting since my arrival on the topic. It is one that——

Chairman BUNNING. I expect to hear from you shortly on this matter.

Mr. WILLIAMS. Fair enough, sir.

Chairman BUNNING. I am a little surprised and somewhat shocked at the numbers in your testimony. Auditors in other agencies are responsible for safeguarding \$260 million each. Your auditors are safeguarding \$3.2 billion each. Is that correct?

Mr. WILLIAMS. It is correct, sir.

Chairman BUNNING. What is being done to address that presently?

Mr. WILLIAMS. We are concerned about the shortfall, as you are. We are particularly much in line with what the Comptroller General told you. We are particularly concerned about the information technology area and the CFO area that we have proper expertise.

We have divided all of the Social Security's core business processes into 14 issue areas, and those teams do feel thin. We are worried that we are going to have to only concentrate on the most urgent work, which is not what we would like to see. There will be organizations and processes never audited, if that becomes our approach.

We are coordinating very carefully with GAO, and I am pleased to see my friends here today. We are working very carefully to make sure we do not do anything that duplicates their efforts. We are reaching into the bag of tricks as much as we can to leverage everything we have got.

Chairman BUNNING. That is not going to get the job done if you are not getting any more resources to do the job. So, you know you can spin it any way you like, but it is not going to work unless there are more resources devoted to those specific audits.

The four people in Denver cover—how many States?

Mr. WILLIAMS. There are seven States.

Chairman BUNNING. Seven States with four people? How much waste, fraud, and abuse are you going to find with four people covering seven States?

Mr. WILLIAMS. We are very concerned about that, and when I arrived, it felt as though I was holding a fire hose and trying to attach an eyedropper to the end of it. It is a very frustrating feeling.

We want to attack fraud. We feel like we have put together a powerful team, and I am as concerned as you are, and I will dedicate every energy I have to solving this problem that you have raised.

Chairman BUNNING. Mr. Jacobs.

Mr. JACOBS. Is there an issue of independence within the independent agency or your office? How much independence, if any, do you have from the independent agency?

Mr. WILLIAMS. We are guided by the Inspector General Act of 1978 and its amendments. It provides a great deal of independence.

Mr. JACOBS. That leads to the point Mr. Bunning made about the auditors and you. Are they a different breed of pups? I mean, do you mix and dilute the independence if people directed by the Commissioner are in your section? In other words, if there is a change to be made, ought it not be a firewall change? If they have too many and you have too few, one would think that maybe some of the many would go over and completely join the few and not be hybrids, not be somewhat beholden or directed by the administration itself? What say you?

Mr. WILLIAMS. That is a good observation, Mr. Jacobs, and I see that the Chairman agrees as well.

It is absolutely essential, because of my relationship with you, that I become completely independent, and the Inspector General Act had a lot of wisdom inside it that ensured independence. So that would be a requirement.

Mr. JACOBS. We are not talking about good guys and bad guys.

Mr. WILLIAMS. No.

Mr. JACOBS. You just have a different job to do, and they have a different job to do. It is like the separation of the departments of the U.S. Government. It has proved to be a pretty smart thing. So, I think that ought to be taken into account.

On balance, it might be that the auditors, the number of auditors, could be diminished, but if they were transferred to your department or to your section, they ought to have the same independence you do. Well, the point is made.

We had a case out in our Indianapolis Social Security office recently where the police, Federal and local, and the DEA were looking for a significant drug offender. I do not mean a kid smoking pot. I mean a dealer. And a staffer at the Social Security office knew where this person was, but only knew because of Social Security records. Therefore, it was said to be barred from disclosing to the authorities the location of this public enemy.

Does the law need to be changed? Do we, Congress, need to give a little more discretion in order to arrive at a commonsense solution in a situation like that?

Mr. WILLIAMS. Certainly. We absolutely believe that law enforcement agents cannot be placed in more danger because we are breasting our cards. We cannot permit someone's life to be in danger or lost, and we do not want fugitives and escapees and other people that are committing serious offenses out and about when we could easily help the authorities apprehend them.

We believe we are doing something to address it, and I hope it is adequate. We want most of our investigative resources to protect the funds, but we have held back a few resources in light of the Welfare Reform Act and initiatives of our own to work with law enforcement agencies, to receive those kinds of requests, and provide very aggressive support.

Mr. JACOBS. Well, now, Mr. Williams, in this case, there would not be any request. It is in the newspaper. They are looking for Charlie Smith or whomever. Here is the Social Security staffer, "Gosh, I just talked to Charlie Smith today. He is out at 1409 Canal Street, and they could nab him right now," but the regulations are that this is Social Security private information and I cannot call up and tell the sheriff or the DEA person that this guy who is badly wanted is out there. So, it is not a request from the agency.

The question is, does the law need to be changed, and if not the law, do the regulations need to be changed so that such an employee could go to the supervisor of that office who I presume would be a responsible enough person to exercise discretion in such a matter and say here is what I have, don't you think you ought to call the high sheriff and give him the information and they can get this guy today, whereas, in the meantime, he may be off to Timbuktu?

Mr. WILLIAMS. Actually, there is a solution, and I would like to describe it to you. We would be glad to look at a legislative change, though, that would make such cooperation more accessible.

The solution is that if they make that expression to my office, there is nothing that bars my office from jointly working with the law enforcement agencies, and that has some——

Mr. JACOBS. Your office would have the authority to disclose the information in my private Social Security file if I am being sought by the law enforcement people and they have probable cause to arrest me; that the law allows you to do that now.

Mr. WILLIAMS. Yes.

Mr. JACOBS. And that is probably the answer to the problem out in Indianapolis. The employee should have gone to the supervisor, who should have gone to you, and you could have made the disclosure.

That is comforting to know, because I know that there is an exception for tracking people down for child support. And, we got through a law a couple of years ago where if someone gives blood and does not know he or she has AIDS, you can go through the system to notify that person, but this is another exception in the discretion of your office.

Mr. WILLIAMS. It is, sir, and we would aggressively——

Mr. JACOBS. I am sorry, Mr. Chair. Just let me make one last point.

Does everybody know that? Should you circularize the various offices? Should there be a bulletin from the Commissioner saying that if you do have information that this is the procedure to follow?

Mr. WILLIAMS. That might be a problem, and that is a great idea.

Mr. JACOBS. OK.

Mr. WILLIAMS. We are also doing our best to get to the 65,000 people to tell them that, and other things about our office.

Mr. JACOBS. Forgive me. I happen to be a former police officer in the same community. So, I am acutely aware of the problem.

Chairman BUNNING. Why is it a problem? Why might it be a problem to do that? Circularwise, then, that they should contact the Office of Inspector General if these set of circumstances comes up, why would that be a problem?

Mr. JACOBS. He is saying it is not a problem.

Chairman BUNNING. It is not a problem. OK.

Mr. WILLIAMS. No. I am confident that the Commissioner would be very pleased to do that, and it is a great idea and in line with other initiatives in this direction.

Chairman BUNNING. Mr. Laughlin.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Mr. Williams, I understand that your office recently broke up one of the largest credit card fraud rings ever. Can you tell us about this and how the SSA employees and its data bank were involved in this fraud ring and what you did to break it up?

Mr. WILLIAMS. Thanks, Congressman Laughlin.

My Assistant for Investigations is here and is in touch with that case daily. That is a big one, and we feel very good about it. If I may, I would like to—

Mr. LAUGHLIN. Yes, please.

Mr. WILLIAMS [continuing]. Give you the most accurate and up-to-date information.

Mr. HUSE. Yes, sir. That investigation is still ongoing. So, some of my comments will be confidential. The investigation—

Mr. LAUGHLIN. Well, if they are going to be confidential, you cannot say them.

Mr. HUSE. Meaning I—

Mr. LAUGHLIN. I used to be in the Intelligence Committee, and we used to say if we tell you what we know, we will have to kill you and I do not want to kill you, but tell us what you can in the general frame without getting into the confidential part of the investigation because—

Mr. HUSE. You said it far better than I did.

Mr. LAUGHLIN [continuing]. We do not want to blow—

Mr. HUSE. I would be glad to.

Mr. LAUGHLIN [continuing]. Your investigation.

Mr. HUSE. No. This investigation involves a West African fraud conspiracy, and I know you are probably all familiar with West African fraud because the Congress has recognized that in the past.

It is a national conspiracy, and it began with West African conspirators suborning the services of some of our Social Security employees. They provided our employees with Social Security numbers.

Mr. LAUGHLIN. Just 1 minute, Mr. Huse. I am an old trial lawyer, and I want to translate that. When you said suborn some of the Social Security employees, you mean some of the Social Security employees got involved in the conspiracy?

Mr. HUSE. Yes, sir.

Mr. LAUGHLIN. Got involved in the criminal misconduct?

Mr. HUSE. Yes, sir.

Mr. LAUGHLIN. OK.

Mr. HUSE. To continue, they engaged them to provide their criminal enterprise with some of the proprietary information inside Social Security data bases, particularly the NumIdent information. They supplied our employees—

Mr. LAUGHLIN. What?

Mr. HUSE. I will explain that in English.

Mr. LAUGHLIN. OK.

Mr. HUSE. They provided the Social Security numbers of credit cardholders. Our employees provided them with the mother's maiden name information that is contained inside Social Security data bases which allowed the West Africans, then, to take a legitimate credit card that was being sent back to somebody to be reactivated.

We all have our credit cards expire, and then they are reissued to us. We have to call in and open the account up again providing some kind of a security identification. Many of these companies use the mother's maiden name as the key to open up the account.

Well, they got this mother's maiden name information, as far as we know, in about 24,000 different instances. It is a very large credit card case.

We, with the first leads aggressively last spring, have worked this case continuously. We think we have the scope of it in front of us now. We have identified approximately 15 of our employees as being involved, working with the Justice Department. Three of those have already been charged. Another four people that were Nigerians have been arrested. And as these cases are developed, of course, more of these 15 employees will be charged in the U.S. courts with these offenses.

The conservative estimate of the loss to the financial community involved in this particular case is about \$5 million.

Mr. LAUGHLIN. What is the potential loss as you evaluate?

Mr. HUSE. That would depend on the actual credit limit of each one of those cards, and I do not think the industry has been able to give us that figure yet. That is something we are working on so we can charge the rest of these employees.

Mr. LAUGHLIN. Is it safe to say so much larger than the \$5 million minimum?

Mr. HUSE. Yes, sir. Yes, sir.

Mr. LAUGHLIN. Now, as I understand, this is financial institution money, not tax—

Mr. HUSE. Not trust fund money. That is right.

Mr. LAUGHLIN. Not trust fund money. But U.S. Federal Government, Social Security Administration, employees are working hand and hand with the criminals?

Mr. HUSE. That is correct.

Mr. LAUGHLIN. And if we prove it, then they are the criminals, also.

Mr. HUSE. That is correct, and three of them have been charged.

Mr. LAUGHLIN. All right. I will hurry to the next question.

Earlier this year, the GAO completed a year-long preliminary audit at the SSA on how official government time spent on union activities is recorded and tracked at SSA. Because the job was so labor intensive, the scope of GAO's work was very limited and showed, if anything, that a much more comprehensive and indepth audit is in order.

Mr. WILLIAMS, would your office be able to undertake such an effort, if asked?

Mr. WILLIAMS. Yes. Of course, we are barred from doing work that duplicates the GAO's work. We would be very pleased to take any request from the Subcommittee.

Mr. LAUGHLIN. I understand you are barred, but if you are asked by the GAO to use your expertise, then you are not barred from supporting and assisting in that investigation; isn't that correct?

Mr. WILLIAMS. That is correct, and we would be very pleased to receive any request that you have, including that request.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Payne.

Mr. PAYNE. Thank you very much, Mr. Chairman, and thank you, Mr. Williams, for your testimony.

I want to follow up on what the Chairman was asking about in terms of resources. In your statement, you said that the number of people working with you had been increased by some, I think it was, 50 people, as I remember the testimony—

Mr. WILLIAMS. It was 50, sir.

Mr. PAYNE. So that it is now 315 people; is that correct?

Mr. WILLIAMS. That is correct.

Mr. PAYNE. And you are now making a recommendation that that be increased?

Mr. WILLIAMS. I have met with the Commissioner, after having conducted the study, I made that recommendation to her, and I believe that she is interested in supporting a major increase on the investigative side that would nearly double the number of investigators that we have.

Mr. PAYNE. So that the number, then, the number 315 would nearly double to a number like 600 or so?

Mr. WILLIAMS. The number of investigators we have is 166. So it would be a little over 300, which would bring our total to about 481 investigators.

Mr. PAYNE. And the amount of money required to do that is?

Mr. WILLIAMS. I believe it is another \$40 million—no, I am sorry, sir. It would bring our total from a little under \$30 to \$55 million. I stand corrected.

Mr. PAYNE. Under \$30 to \$55 million. So, that is \$25 million additional for 150 additional people?

Mr. WILLIAMS. I believe that the investigators alone would be about \$22 million.

Mr. PAYNE. It is \$22 million for 150 additional investigators?

Mr. WILLIAMS. Yes, sir.

Mr. PAYNE. So that is \$150,000, roughly, per investigator. Is that your—

Mr. WILLIAMS. Yes. The salaries represent the lion's share, and, of course, we have program support for them which includes their office and equipment and travel.

Mr. PAYNE. Commissioner Chater is supportive of this type of recommendation?

Mr. WILLIAMS. She is, sir.

Mr. PAYNE. The question, then, that the Chairman asked concerning other people, resources, that might be available, does that enter into this request, or would this request go forward, and there are additional resources as well?

Mr. WILLIAMS. We are treating the two initiatives separately in our meetings regarding the work of OPIR and ourselves. We are not taking into consideration any implications on the budget. Should there be one, of course, that would affect SSA's overall budget request.

Our request is separate from the agency's, and of course, any adjustment to either component would affect the overall request that we would make to you.

Mr. PAYNE. So, you are really working on two tracks. One is a track that would have 150 new people that would be involved in the investigative process, and the other would be working with the people who are already involved in auditing in the Social Security Administration to see if, perhaps, some of those people would not better be utilized under your purview than where they are at present. Is that an accurate summary?

Mr. WILLIAMS. That is an outcome that was suggested. Of course, if that were to occur, we would merge the two efforts, and we would not come to you with a double sort of request.

Until we realize there is a budget implication, we would not begin to factor that into what it is we are suggesting.

If those discussions would lead to an adjustment downward for Social Security and upward for us, we would immediately merge those two so that it would be a single initiative.

Mr. PAYNE. Well, I would just like to support what the Chairman has said, and that is that I think we are all very interested in seeing this function operate on an optimal basis so that we would know what the right number of people and right amount of resources are to minimize the fraud that may exist within the Social Security Administration, and I thank you for your testimony.

Mr. WILLIAMS. Thank you, Congressman Payne.

Chairman BUNNING. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Williams, you have been the Inspector General now for almost 1 year. Is that an accurate statement?

Mr. WILLIAMS. Yes, sir, it is.

Mr. COLLINS. You see the immediate need for more investigators, and you have put in a request for more, a doubling of the number. What do you see after this year other than the need for more investigators? Where will you use them? What are your top priorities? What are the areas that need your most immediate attention?

Mr. WILLIAMS. Thank you, sir. Actually, I was sworn in, in January, and I began my learning curve prior to that. So, I have had at least 1 year to think through the question that you just asked, and I would order them in terms of audit priorities for pro-

gram effectiveness and in terms of investigations priorities for fighting fraud.

On the audit side, I have the same concern that the Comptroller General did. The information technology and financial management areas are very high priorities for us. We think they are most important to the American people.

Payment accuracy is also another initiative that we want to take on. We want to make sure that we are not giving out money that is going to be very difficult to come back to us in terms of errors, or that we are taking someone who is already in need and underpaying them. The payment accuracy is a very big priority for our office.

Disability programs are another area that we are focused on with a large number of our small resources, and the growth in that area concerns us. The fraud inside that area concerns us.

Mr. COLLINS. Have you been able to pinpoint anything, say, an amount in any of these areas of fraud, like in the disability? Have you gotten that far along with it that you can actually estimate how much of the disability expenditures are fraudulent?

Mr. WILLIAMS. Actually, Jim Huse, our Investigative Assistant, would be best to respond to that.

We do have some priorities with regard to investigations, and of course, disability is one. Probably the one that we are most concerned about, and then I will turn to Mr. Huse, is employee corruption. We would be very worried about that.

We just talked about the New York case. We do not want there to be an undetected criminal presence in Social Security. We think that that kind of culture would be very destructive.

Disability fraud does concern us, and we do have a number of cases both on the SSI side and the Social Security side.

Service provider fraud offers a danger and an opportunity. With a single strike against a service provider such as a doctor or an attorney or an interpreter, we can clean up an enormous number of cases, so that those are attractive targets for us.

It is also important to us to support the law enforcement community, as we discussed a moment ago, in terms of their investigation of Social Security crimes, but also our ability to help them track down violent offenders and fugitives.

Jim, you might talk a bit about what we are finding in terms of the proportions of crimes.

Mr. HUSE. Our caseload with the experience we have gained, for almost 1 year, seems to divide itself up this way: Most of our cases that we open are in the SSI, the Supplemental Security Income Program. The disability program is the area that is most subject to fraud and abuse.

We have had—along with the fact that there has been a rapid increase in the disability program outlays in general by Social Security, that accounts for one of the reasons why this is so prominent what seems to be from our experience, a broad street-level knowledge on the part of people who want to find out ways to fake medical symptoms or what have you to get some of this money.

Also, there are criminal service providers, corrupt service providers, who get into the picture there, too. The Inspector General mentioned that we have here a culture of criminal middlemen, inter-

preters who come into the Social Security offices and act as criminal brokers, enabling some of these fake recipients to obtain these benefits, but using the language barrier as a way to accomplish that. We are focused on those, also; and then, finally, doctors and attorneys who participate in an illegal way in the disability benefits Supplemental Security Income process.

Mr. COLLINS. Have you actually pinpointed and been able to prosecute any of this so far, even with service providers?

Mr. HUSE. There have been some successful cases that we have had with this. Certainly, we would like to do a lot more.

Mr. WILLIAMS. We were sort of latecomers to this area, just having been created, and we were able to join with other law enforcement agencies focused on this, particularly in the Northwest where we have had some good success.

Mr. COLLINS. I would think the quicker we could do that and get the word out, maybe we could deter some of it within itself.

My time has expired. Thank you very much.

Mr. WILLIAMS. Thank you, sir.

Chairman BUNNING. Mr. Neal.

Mr. NEAL. Thank you, Mr. Chairman.

Just a fairly general question for Mr. Williams. You have talked about the fraudulent activity that your office obviously has made some gains in attempting to overt. What kind of trends are you finding? What kind of fraudulent activity? What would be a notable example?

Mr. WILLIAMS. The disability area is one that greatly concerns us, and we are finding—as Mr. Hughes began discussing—we are finding trends there with regard to street-level kinds of cottage industries in which people are instructed on how to fake symptoms on certain kinds of disabilities.

We are very concerned about that, but it also allows us to strike effectively at a single head. We think, in some ways, that is what made organized crime vulnerable to the attack that occurred against it. We are almost encouraged by the fact that there is some organization there rather than it is entirely dissembled.

Certainly, the SSI area is one that concerns us. I was a Secret Service agent in the seventies, and I am familiar with all the varieties of Federal entitlement fraud. I worked undercover for 1 year in Chicago. I am very familiar with SSI frauds, and those are going to be with us always. We are not going to be able to wipe those out, but we can be very, vigilant in attacking them. I think, as we get better, we will be able to follow the trends and attack fraud schemes with great effectiveness.

We have a special unit that we have created to study emerging kinds of crime when we first begin to see them, develop recommendations for the agency to prevent them, and to develop techniques for our agents to most efficiently and effectively attack them.

Mr. NEAL. Mr. Huse, would you like to add anything?

Mr. HUSE. Just to follow on that point about our—we call this unit our Strategic Enforcement Unit, or team, and as we learn through our audit activities, or from the Social Security Administration Program people who learn about new and emerging crime issues that come from the total universe of their knowledge, our

strategic enforcement team designs approaches to it. So, we are trying to build in a proactive approach to fraud that perhaps has not been used before.

Mr. NEAL. Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Portman.

Mr. PORTMAN. Thank you, Mr. Chairman.

I want to thank you for having this hearing. The oversight is so crucial, and often, we here in Congress do things, like we did with setting up SSA as an independent agency, and do not follow up on it. So, I want to commend Mr. Bunning for his diligence.

My questions really go to the whole staffing issue, Mr. Williams, and the degree to which you think that you need more resources.

The statistic that I think is very interesting is that each investigator returned \$181,000 in savings, each auditor returned \$990,000 in savings in your first year of operation. I do not know what the cost-to-benefits ratio was in dollar amounts. Can you give me that, roughly?

Mr. WILLIAMS. Yes, sir. For the audit side, it was \$16.50 for every \$1 that we spent. The investigator side, justice is seldom a for-profit business, but we were able to return \$2.25 for each \$1 that we spent.

Mr. PORTMAN. Does that compare favorably with other IGs throughout the Federal Government?

Mr. WILLIAMS. It does, and this was an odd year for us. When I say each investigator returned \$2.25, that includes the 50 investigators that just arrived.

We are optimistic that when we start the next year with our full staff, that those returns will go up.

You also gave us the Civil Monetary Penalty Act, and that allows us specifically to recover dollar amounts for criminal matters.

Mr. PORTMAN. So, we are getting our money's worth.

Mr. WILLIAMS. We certainly believe so, and we are going to do everything we can to deliver that.

Mr. PORTMAN. You have, what, about 313 people now on staff to monitor about, what, \$360 billion in benefits?

Mr. WILLIAMS. Yes, sir. We think it is about \$330 billion in benefits, and then as you said, there are about another \$30 million that we are monitoring in expenses.

Mr. PORTMAN. I just wonder if you can, perhaps, give me your objective appraisal. I am trying to get you to take off your hat, which I know is difficult because you are part of a bigger Federal Government, but at HHS, they now have 927 employees. They monitor about \$319 billion, which means they have three times the people to monitor less money.

If you look back historically, SSA when it was part of HHS had, of course, the IG Office of HHS, had about 1,200 employees. You, in essence, have been downsized. In the first year that the SSA has been independent of HHS, the HHS IG has had a staff of 927—and if one does the math, you would see that SSA should have over 500 people, rather than 313.

Is that a problem? Do you need more people?

Mr. WILLIAMS. We are very concerned with our ability to keep up with Social Security employees and the American public. They are both very aggressive at detecting fraud, but then they need action

to be taken, and we do not think we have enough resources to take appropriate action in response to their concerns. As I have said before, it feels like we are holding a fire hose and I am trying to put an eyedropper on the end of it with the number of resources we have to address the fraud allegations we are receiving. The Social Security people are very attuned to detecting fraud, and they are very angered by it, and so is the American public. They are flooding us with opportunities.

I am reminded of the old joke where Colonel Custer tells his men, "We're not surrounded, we're in a target-rich environment." It's not enough for a few investigators to achieve impressive results. We want to send messages to criminal elements that we are going to inflict certain injury if you defraud our trust fund.

Mr. PORTMAN. Ensure that you can get to it.

And just to restate what I am sure has already been stated, this is about the trust funds. So, it is all the more important.

Thank you, Mr. Williams. Appreciate it, Mr. Chairman.

I yield back.

Chairman BUNNING. I would like to submit for the record additional written questions. There is one specifically in regards to CDR backlog and some other things.

Before I close this panel, I would just like to assure you that this Subcommittee is strongly committed to eliminating waste, or duplication of your efforts. We are strongly committed to making sure that you succeed, and to work with you to get the staff and resources that you need to carry out the responsibility that Congress gave you by law, to protect the Social Security Trust Funds from waste, fraud, and abuse. There is nothing more important to this Subcommittee than that.

I know that you and your staff are using all your resources that you can to safeguard the Social Security system from society's criminals and cheats, and on behalf of the Subcommittee, I want you to know that your efforts are very much appreciated.

Thank you for your appearance here.

Mr. WILLIAMS. Thank you very much.

[The following questions and answers were subsequently received:]

**QUESTIONS FOR THE RECORD SUBMITTED BY CHAIRMAN BUNNING FOR SSA
INSPECTOR GENERAL DAVID WILLIAMS**

Question 1. Just how would you determine the appropriate number of staff -- particularly auditors and investigators -- for your office, and how many is that in your opinion? Please provide information on how the SSA OIG compares with other OIGs in terms of staffing and workloads.

Answer:

The Social Security Administration (SSA) Office of the Inspector General (OIG) conducted a thorough study to determine the appropriate staffing level for the SSA OIG. The SSA OIG recognized early that the 259 positions transferred from the Department of Health and Human Services (HHS) OIG to the new SSA OIG were insufficient. While performing our study, we considered a number of variables. For example, SSA's programs account for almost 25 percent of the \$1.5 trillion in Federal expenditures. Also, the SSA OIG's Office of Investigations investigates fraud, waste, and abuse by external as well as internal parties, unlike many OIGs that only cover internal wrongdoing.

One aspect of our study was to benchmark several resource ratios against 16 other OIGs. Our benchmark effort included comparisons of the staffing levels, agency budget coverage per auditor, agency budget coverage per investigator, agency investment in OIG FTE as a percentage of its overall staff, and the OIG investment as a percentage of the overall Agency budget. The results of every analysis demonstrated a need for additional OIG resources.

To further refine our results and determine the critical number of auditors required to provide audit coverage of SSA's programs, we identified the SSA audit universe. The audit universe encompasses all of SSA's programs, operations, and activities that are subject to audit. Some of these audits are performed annually because of legislative requirements and others are performed less frequently during the 5 year audit cycle depending on the degree of risk or extent of vulnerabilities or problems to the Agency.

In our benchmarking exercise, we especially focused on other agencies that have large budgets and widely dispersed operations, such as the Departments of Defense, Health and Human Services, Agriculture, and Treasury. The following comparison confirmed that our request for 193 auditors is very modest.

<u>Agency</u>	<u>Agency Budget (in millions)</u>	<u>Auditors</u>	<u>\$ Coverage per Auditor</u>
DOD	\$ 277,800	858	\$ 323,776
HHS	318,900	447	713,422
Treasury/IRS	387,600	209/509*	539,832
EPA	7,300	303	24,092
USDA	64,000	450	142,222
SSA	363,000	120	3,025,000

*IRS internal audit

In addition to our own concerns with the number of auditors within the OIG, the General Accounting Office (GAO) has expressed concern that we do not have sufficient resources devoted to the audit of SSA's financial statements in either our systems audit team or financial audit team. GAO has recommended an increase of 10 to 15 FTEs for our financial audit team and a total of 10 to 15 FTEs in the systems audit team to be devoted exclusively to support the audit of SSA's financial statements.

My predecessor was also concerned about the size of the automated systems audit group. As a result, a study was performed by Coopers and Lybrand to determine the appropriate number of staff and expertise required for a systems audit group. Coopers and Lybrand issued its report in February 1996. It recommended that the OIG increase its audit staffing level in the automated systems area to a total of between 40 and 45 FTEs. The 40 to 45 FTEs are necessary to perform both systems audits of SSA's programs and to support the annual audit of SSA's financial statements. The study stated that "the potential risks associated with neglecting to increase resources for this function more than offset the investment. Indeed, the investment may even be viewed as immaterial when compared to billions of dollars in weekly transactions that the EDP function will assist in safeguarding."

At the time of the establishment of the SSA OIG in April 1995, the Office of Investigations had 76 criminal investigative positions (GS-1811s). In FY 1996, Commissioner Chater successfully supported an increase of an additional 53 additional GS-1811 positions. As you are aware, in FY 1997, the Office of Investigations' ceiling was raised again to provide for an increase of 75 more criminal investigative positions, and we are certainly grateful to the Subcommittee for its interest and efforts on our behalf to obtain these additional investigative resources.

The Commissioner is currently supportive of continued growth of the investigative staff. Based on comparing the size of our investigative component against those of 16 other Federal OIGs, we can state with sufficient confidence that, by contrasting our mission and

responsibilities against that of the OIG community on the basis of the overall budgets of these agencies against that of the SSA's, we believe we remain very small.

As the data indicate, the Office of Investigations has the smallest investigative component to agency budget ratio. With all of this in mind, we are attempting to make reasonable projections about the extent of SSA's fraud vulnerability. This is still an active endeavor because we are still a relatively new investigative entity and are simultaneously involved in the effort to recruit and train the additional investigative resources we have obtained during the past year. Despite this, during FY 1996 our investigative efforts were responsible for the conviction of 568 individuals for crimes involving SSA funds or programs, and reported \$22,768,372 in fines, judgments, or restitution to the SSA, or to other Federal government programs. During the same period, we opened 1,544 new criminal investigations. This activity occurred in the same year as the government furlough, and also with a relatively inexperienced investigative workforce.

For the present we are reasonably assured that our investigative capacity is certainly warranted by comparison with the significant investigative mission presented by the SSA. We are continuing to develop data about our operational record and the effect our investigators are making with respect to fraud, waste, and abuse at SSA. From this performance data we can make tighter projections about the potential or appropriate size of the Office of Investigations. I will provide this data to the Subcommittee when it is available.

Question 2. Can you tell us more about the similarities and differences in responsibilities of your office and OPIR? Has your office done any work to evaluate the quality of work done by OPIR?

Answer:

The following information provides some differences and similarities between the OIG's Office of Audit and OPIR.

Resources and Organizational Placement

	<u>OIG OA</u>	<u>OPIR</u>
FY 1996 Staffing	120	1,200
FY 1996 Budget	\$8 million	\$80 million
Organizational placement	Reports to Commissioner and Congress	Reports to Acting Deputy Commissioner for Finance, Assessment and Management

Missions

OPIR's mission is to evaluate and assess the integrity and quality of SSA programs with emphasis on the prevention of program and systems abuse, the elimination of waste, and the increase of efficiency.

The OIG Office of Audit's mission is to promote economy, effectiveness, and efficiency within the agency; prevent and detect fraud, waste, and abuse in agency programs and operations; review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations; and keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

Work Products

OPIR conducts quality assurance reviews and special studies. Quality assurance reviews provide the agency with ongoing performance measures, while special studies are assessments of program integrity and performance.

OA conducts audits of program efficiency and effectiveness in accordance with generally accepted government auditing standards and evaluations and inspections in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency

OIG Audits Concerning OPIR

The OIG completed three audits in 1996 of OPIR's work. We are awaiting comments from SSA on our audit of OPIR's Special Studies. The objective of the audit was to determine whether OPIR's Special Studies are used by management to improve SSA programs, are cost-effective and efficient, and performed in accordance with standards.

We issued final reports on OPIR's Title II and Title XVI Index of Dollar Accuracy (IDA) reviews. The IDA reviews assess the payment accuracy of newly awarded retirement and survivors' claims and the Supplemental Security Income (SSI) initial claims and field office redeterminations. These reviews involve the work of approximately 90 employees and the results are used as the principal indicator under the Government Performance and Results Act (GPRA) to show SSA's benefit payment accuracy. We performed our audits to evaluate the effectiveness of the IDA reviews in accurately measuring and reporting SSA's performance in correctly paying initial and redetermined benefits and to evaluate whether the IDA reviews effectively assisted management in administering the Title II and Title XVI program.

Question 3. Please describe what action is being taken within SSA to resolve the apparent overlap and duplication of responsibilities between the OIG and OPIR.

Answer:

Shortly after I was sworn in, I met with the Commissioner of Social Security to discuss concerns of my predecessor and my own regarding dual program assessment organizations. She suggested that I discuss the matter further with the Acting Deputy Commissioner for Finance, Assessment and Management, Principal Deputy Commissioner, and Chief of Staff. As a result, I met with the SSA Chief of Staff and others (the Principal Deputy Commissioner, and/or Acting Deputy Commissioner for Finance, Assessment and Management) on 11 separate occasions between February 28, 1996 and November 18, 1996. The purpose of the meetings was to cover a number of topics concerning how we would resolve the relationship between the OIG and the other SSA offices with overlapping responsibilities. Discussions regarding the OPIR issue will continue.

At your request, I will provide the status of any action taken in this regard on March 31, 1997 and June 30, 1997.

Question 4. If certain functions in OPIR that duplicate those in the OIG, and OPIR staff became available for other duties, does OPIR staff have the kind of expertise that your office needs? Would transferring OPIR staff to the OIG meet your current staffing needs? What are your views on the idea mentioned at the hearing to share staff with OPIR?

Answer:

To the extent possible, the OIG would be open to accepting OPIR staff interested in transferring to our office. However, we agree with the Comptroller General that the kind of expertise needed is important to the Office of Audit rather than simply increasing the size of our staff. He cited the need for auditors with backgrounds in automated systems as well as Certified Public Accountants. At this time, we are not aware of the qualifications of OPIR evaluators who might be interested in joining the OIG.

Concerning the proposal for OPIR staff to split time between the two offices, we agree with the comments made by Congressman Jacobs at the September 12, 1996 hearing. He had concerns about having "hybrids" who work for both offices, as opposed to building a "firewall." We believe he has valid concerns. Under the Inspector General Act of 1978, as amended, our employees have a significant degree of independence. This statutory independence permits our staff to properly audit and investigate Agency actions without concerns about Agency interference. In contrast, OPIR reports to a principal auditee--the

Deputy Commissioner for Finance, Assessment and Management. Having OPIR staff split their time between one independent function and one management function could create a significant conflict of interest in conducting program assessments.

Question 5. Please explain what each team is responsible for, and what additional staffing resources they would need to adequately cover their responsibilities.

Answer:

Fourteen issue teams are responsible for providing audit coverage of SSA's programs and operations. We estimate that to adequately audit these areas will require an audit staff consisting of 193 FTEs. Any additional FTEs over the current 120 would be placed in the issue teams with the greatest needs. We would like to add at least 13 FTEs to the Financial Management audit team, 12 FTEs to the Systems audit team, and 4 to the SSI/RSI Disability audit team.

The Payment Accuracy task force; staff = 2 FTEs, located in SSA headquarters. In 1996, the OIG initiated a formal effort to improve the accuracy of payments for SSA's Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and SSI programs. While SSA's Accountability Report for FY 1995 indicates that payment accuracy has been consistently high for several years, payment error rates have remained relatively constant. The Payment Accuracy Task Force, which has the full support of the Commissioner, will examine the nature of payment inaccuracies and explore solutions for improving SSA's ability to issue payments accurately.

DDS issue team; staff = 8 FTEs, located in Kansas City, Missouri. Each State's DDS is responsible for disability determinations under the DI and SSI programs in accordance with Federal regulations. The DDSs are also responsible for developing medical evidence regarding the severity of claimants' impairments. The SSA reimburses the State agencies for 100 percent of necessary costs incurred in performing Federal disability determinations. During FY 1995, initial disability claims numbered 2,611,622, and 3,786,535 total cases were processed by 54 DDS agencies. Total dollars expended for administrative costs during FY 1995 were \$1,178,781,241.

This issue team will also review the Government Performance and Results Act (GPRA) performance measures for DDSs, including the actual number of initial and total DDS cases received, processed, and pending as compared to SSA goals. Other important performance measures are workloads, production per work year, cost per case, case accuracy rates, and claims processing times.

SSI/RSI Disability issue team; staff = 6 FTEs, located in Boston, Massachusetts. The DI program is designed to provide benefits to wage earners and their families in the event that the family wage earner becomes disabled. In 1974, the Congress enacted the SSI program (Public Law 92-603), providing income to financially needy individuals who are aged, blind or disabled. In 1995, nearly 5.9 million disabled individuals and their dependents received \$40.3 billion in benefits under the DI program, and approximately 5 million SSI blind and disabled individuals were paid \$22.8 billion. This issue team will focus on disability claims-related areas contained in the Disability Redesign, payment accuracy, interim assistance/presumptive eligibility, vocational rehabilitation, and the continuing disability review process.

Earnings issue team; staff = 9 FTEs, located in Philadelphia, Pennsylvania. Social Security benefits are based on an individual's earnings as reported to SSA. Reports of earnings must be filed annually (on paper or via electronic or magnetic media) by every employer who is liable for Social Security and Medicare taxes. Through this earnings process, SSA establishes and maintains a record of an individual's earnings for use in determining insured status for entitlement to retirement, survivors', disability, and health insurance benefits and in calculating benefit payment amounts.

In FY 1995, SSA processed over 235 million earnings items. This workload is projected to increase to over 256 million items by FY 2001. Legislation requiring SSA to issue Personal Earnings and Benefits Estimate Statements annually to individuals age 60, which began in FY 1995, and to persons age 25 and over beginning in FY 2000 will generate additional work for the Agency, mostly in the form of public inquiries and requests for earnings corrections. This team will review the operational systems and control points utilized in the processing, recording, safeguarding, and reporting of wage data.

Enumeration issue team, staff = 7 FTEs, located in Birmingham, Alabama. Enumeration is the process by which SSA assigns Social Security numbers (SSN) to identify individuals, i.e., beneficiaries, workers, nonworkers and legal aliens; issue replacement cards to individuals with existing numbers; and verify SSNs for employers and other government agencies. The process for assigning SSNs and issuing cards has changed significantly since the beginning of the program. In 1982, SSA undertook a systems modernization program to improve operations and create a state-of-the-art computer system for the Agency. All field offices now have the capability to take an SSN application using on-line screens rather than using a paper application form.

In FY 1995, SSA processed 16.8 million requests for new or replacement Social Security cards. About 37 percent of all SSN requests are for new numbers and 63 percent are for replacement cards for people with existing numbers. Over 3.3 percent of SSA's administrative resources are expended on enumeration activities. This team will examine major concerns in the enumeration process that relate to the adequacy of controls over the

issuance of SSNs, the integrity of the NUMIDENT file (SSA's file which records all assigned SSNs and the identity of the number holder), the prevention and detection of fraudulent use of Social Security cards, and SSA referrals of fraud to the Office of Investigations.

Financial Management issue team; staff = 10 FTEs, located in SSA headquarters. Each year, SSA must report annually to the Congress on its financial status and other information needed to fairly present the Agency's financial position and results of operations. The vehicle through which SSA meets this reporting requirement is its annual Accountability Report, which consists of an overview of the Agency, the principal financial statements, supplemental financial and management information, financial accountability information, program and financial performance measures, and its Semiannual Reports to the Congress.

This issue team will review SSA's overall financial management structure including safeguarding assets; accounting for financial activity and reporting on the Agency's financial position; internal controls, both manual and automated; the accuracy and integrity of financial, performance, and management information; trust fund financing, including the Department of the Treasury data which serves as the basis for crediting the trust funds for the \$356 billion in employment tax revenue SSA reported in FY 1995; contract audits with third parties; and financial program management ensuring benefit payments are paid correctly.

General Management issue team; staff = 9 FTEs, located in SSA headquarters. The SSA considers its 65,000 employees one of its most valuable assets. When considered in the context of streamlining, additional statutory responsibilities and the increase in workloads, SSA has made a commitment to its employees to help them meet these challenges. In order to provide world-class service, SSA must have a flexible, well-trained workforce that can perform in a technologically advanced and productive environment. These changes require SSA to administer, manage, and support its workforce efficiently as SSA changes the way it does business. The SSA has adopted a business strategy that will help accomplish these changes and make a strong commitment to the integrity and professional standards of the workforce, enabling them to more effectively deliver services and meet customer needs. General Management reviews will encompass a wide range of SSA's administrative functions, analytical staffs, and management activities which directly support SSA's programs.

Office of Hearings and Appeals (OHA) issue team, staff = 12 FTEs, located in Dallas, Texas. SSA's OHA is responsible for hearing cases denied by a State DDS at both the initial determination and/or reconsideration stages. The OHA Administrative Law Judges (ALJ) hear these appealed cases and issue either an allowed or denied decision. The audits and evaluations of OHA will focus on the Disability Redesign Initiatives used to streamline the adjudicative process; ALJ decision-making processes that have led to a substantial number of

reversals (OHA refers to these as allowances) of the cases previously denied by the DDS in 1995; the Hearing Office Tracking System; and the identification of best practices to help OHA improve service delivery.

Performance Monitoring issue team; staff = 7.5 FTEs, located in New York, New York. In recent years, there has been increasing emphasis from the Administration, Congress, and the public for all Federal agencies to measure their performance in implementing programs and core business processes. This emphasis has resulted in two initiatives directly affecting SSA: the National Performance Review (NPR) and GPRA.

GPRA seeks to systematically hold Federal agencies accountable for achieving program results. This means they must set performance goals, measure performance against those goals, and report publicly on performance. More specifically, GPRA calls for agencies to have strategic and performance plans by September 30, 1997. The SSA is currently in the process of establishing performance measures for FY 1998 and revising its strategic plan. The audit activities in this area will focus on determining the appropriateness of SSA's performance measures and service standards, assessing the validity of the performance monitoring process, and benchmarking performance targets.

Program Service Centers (PSCs), Teleservice Centers (TSCs) and Nondisability SSI issue team; staff = 10 FTEs, located in Chicago, Illinois. PSCs primarily house and service the records of individuals who are receiving Title II Social Security benefits, as well as provide back-up for the 800 number telephone service. The PSCs are located in seven cities and serve principally as processing centers for Title II postentitlement (PE) actions. In FY 1994 (the latest year for which PE statistics are available), SSA processed over 78 million Title II PE actions at a unit cost of \$8.69 for record changes and \$48.46 for continuing eligibility reviews. An estimated 43 million beneficiaries received \$313 billion in benefits in FY 1994. The PE workloads, which generally grow commensurate with the growth of the Social Security beneficiary population, are projected to increase by about 19 percent from FY 1993 to FY 1999.

TSC operations were started in the 1980's to improve service to beneficiaries using the telephone to conduct SSA business. The TSCs were established in large metropolitan areas to receive general inquiry telephone calls from the public. By 1988, SSA was operating 34 TSCs across the country, each with a separate telephone number. These TSCs were only able to service about 50 percent of the country. To meet the increased public demands for the telephone service and to improve the capability of contacting SSA by phone, a national 800 number service was initiated on October 1, 1988. The national 800 number serves as the primary telephone answering point for general inquiries and reports from beneficiaries and the general public. In FY 1995, TSCs received over 121 million calls and processed over 62 million telephone inquiries. The 800 number network funding for FY 1995 was over

\$250 million and network staffing required over 5,000 work years. In addition to TSC employees, SSA enlists the assistance of PSC employees to answer the 800 number. This assistance is needed on peak calling days, usually at the beginning of each week, each month when checks are received, and any time a change is made to the majority of benefit accounts (such as a cost of living increase).

Retirement and Survivors Insurance issue team; staff = 11 FTEs, located in Richmond, California. The Old-Age, Survivors, and Disability Insurance (OASDI) program provides monthly benefits to retired workers and their dependents and to survivors of deceased insured workers. Benefits are paid as a matter of earned right to workers who gain insured status and to their eligible spouses and children. In this area, we will focus on the RSI program, specifically, representative payee issues, processing applications, systems controls, and fraud and abuse.

Operations issue team; staff = 6 FTEs, located in Atlanta, Georgia. The SSA currently has 1,300 field offices to serve its 50 million clients through its four entitlement programs. The offices are located in cities and rural communities across the Nation and are the Agency's physical points of contact with the public. They are established and managed through a regional office structure under the direction and guidance of the Office of Operations in Baltimore.

Systems issue team; staff = 9 FTEs, located in SSA headquarters. Automated processing systems are a critical element in SSA's efforts to provide services to its clients. In today's environment, SSA's quality of service directly relates to the quality of its automated processing systems. The SSA is faced with huge increases in operational workloads over the next several years due to the demographic changes in our Nation's population. To meet the future demands, SSA is relying on technological changes. The SSA challenge is to give the public the service they expect during a period of increasing demands for service without a corresponding increase in staff. To meet this challenge, SSA must increase reliance on automated systems.

The sensitivity of the data maintained and the magnitude of funds expended make controls in automated systems critical to the integrity of SSA programs. We will focus on evaluating the cost-effectiveness of SSA's automated systems, general and application controls, and the safeguards developed for reducing fraud and preventing costly errors. Also, the Government Management Reform Act generates the need for systems controls audits due to the critical role the automated processing systems have in producing financial statement information. We will also evaluate SSA's preparedness for the year 2000 to ensure that systems can accept and process transactions with new century dates.

Technical Services issue team; staff = 7 FTEs, located in SSA headquarters. This team provides a variety of services to support all the other issue teams, such as developing and

running mainframe and personal computer software programs to analyze data files copied by SSA for OIG use; modifying files for audit sampling, downloading files to personal computers, or transferring files to outlying offices; advising staff about data sources and content pertaining to planned or ongoing reviews; assisting in the development of sampling/estimation plans; and serving as the focal point for desktop publishing activities.

Question 6. According to recent news articles, your office recently broke up one of the largest credit card fraud rings ever. Can you tell us about this -- how SSA employees and its data bank were involved in this fraud ring, what you did to break it up, including what other agencies you worked in coordination with? Please provide more information on how counterfeiting affects SSA operations. Based on your experience in your first year on the job, what is your sense of the degree of criminal fraud out there, and are you adequately staffed to prevent it, or at the least, detect and eliminate it? How many criminal investigators do you estimate you might need, and how soon could they be hired and trained? Please provide a regional breakout of the offices and suboffices you have nationwide, including headquarters in terms of the number of investigative agents currently assigned to each, and the states or areas each office is responsible for. In addition, please explain the kind of work the regional offices and suboffices typically handle, and the volume they have been experiencing. In your opinion, which areas face particularly critical staffing shortages in the investigative area?

Answer:

A. The New York Credit Card Case

During the past year, the Office of Investigations has been engaged in a large scale criminal investigation of an interstate credit card fraud ring comprised primarily of West African conspirators who bribed SSA employees to assist them in furthering their criminal fraud scheme. These criminals stole numbers of valid reissued credit cards from the U. S. mail. For obvious security reasons, credit card companies require a telephone activation protocol for card holders to follow in activating their replacement credit cards. This procedure normally requires that the card holder supply their mothers' maiden names to the credit card company to reinstate their credit cards. These West African conspirators provided Social Security numbers for specific persons to some SSA employees for the purpose of illegally obtaining that person's mother's maiden name information from the SSA NUMIDENT data base. This information was then used by the conspirators to illegally activate stolen credit cards in order to fraudulently obtain goods and services.

These credit card thefts involved thousands of credit cards, and the credit card issuers involved estimated their losses in the millions of dollars. We joined with the U.S. Secret

Service (USSS), the U. S. Postal Inspection Service (USPIS), the Federal Bureau of Investigation (FBI), the Immigration and Naturalization Service (INS), the Internal Revenue Service's (IRS) Inspection Service, the Department of State's Diplomatic Security Service, and the City of New York Police Department in the investigation of these credit card crimes. These agencies are organized into the "West African Task Force" under the aegis of the U. S. Secret Service.

The Office of Investigations took the lead in uncovering the 16 SSA employees suspected of involvement in these crimes. Of this number, eight have been arrested; two convicted; two have been terminated from SSA employment and are awaiting judicial action; and four are still under investigation.

There were 22 other individuals involved in this conspiracy who were not SSA employees. Of this number, 14 have been arrested; four have been indicted; and four have been convicted.

Most of the key leads in this investigation were uncovered by a special search of the SSA data bases by a task force of Office of Investigations' agents and SSA systems analysts supplied with matching data from victims' credit card issuers. This process quickly identified crucial patterns of criminal activity for the special agents developing this investigation for the United States Attorneys' Offices for the Southern and Eastern Districts of New York. These results were converted into the probable cause for the search and arrest warrants that neutralized this complex conspiracy.

B. The Impact of How Counterfeiting Effects SSA Operations

Counterfeiting has a palpable impact on SSA programs and operations. The production of counterfeit identification documents is one of the most serious crime issues confronting law enforcement in the United States today. The new desktop publishing technologies have brought the requisite expertise to produce counterfeit identification documents within the capacity of anyone with access to a personal computer. These criminal activities serve as the first step in a myriad of more involved economic fraud crimes and, in some instances, crimes of violence. All government agencies that dispense benefits are susceptible to these criminals with false identification. Counterfeiting Social Security cards and fraudulent use of SSNs are "breeder crimes" for criminals engaged in a wide variety of other criminal activities that run the spectrum from bank frauds to illegal immigration crimes. The Office of Investigations aggressively focuses on attacking the false identification rings that undergird these criminal schemes in concert with local, state and other Federal law enforcement agencies. The following are several examples of present efforts with respect to these violations:

In one ongoing investigation, two individuals were arrested by the U.S. Customs Service in early November 1996 in connection with the seizure of one the largest shipment of counterfeit Social Security cards and other fraudulent documentation.

In April 1996, a United Parcel Service shipment from Mexico to Milwaukee, Wisconsin containing over 6,000 counterfeit Social Security cards was intercepted by the U.S. Customs Service. This seizure resulted in the criminal indictment of the intended recipient of these cards.

In December 1996, the Office of Investigations executed multiple arrest and search warrants in the St. Louis, Missouri area involving the production of counterfeit identification and Social Security documents as part of a criminal scheme to smuggle illegal East Indian aliens into the United States. In this operation, over 30 illegal aliens were arrested and \$100,000 in contraband and counterfeit identification seized.

In a similar case, Office of Investigations' and INS agents arrested four Polish immigrants in Williamsport, Pennsylvania who were engaged in a scheme to illegally obtain valid Social Security cards by producing counterfeit INS documents as a basis for identification. This scheme was part of an interstate conspiracy to facilitate illegal immigration to the United States.

C. Assessment of the Office of Investigations' Mission with Respect to Criminal Fraud Directed Against the SSA

Assessment of SSA's vulnerability to criminal fraud is a priority project for the Office of Investigations. As we are a new investigative organization, we are amassing the data from our operational experience to make valid assessments about where the SSA is vulnerable to criminal activity, and how best to combat these crimes with our resources. I would be pleased to provide the Subcommittee with this vulnerability assessment when it is completed in the near future. Despite the absence of this pending quantitative data, we can still make some general statements about the nature of SSA's criminal fraud exposure. It is apparent that the SSI and Disability benefit programs are particularly susceptible to fraud. There appears to be substantial street level criminal expertise about how to defraud these particular benefit programs. The other substantial areas for an investigative focus are the crimes devolving from fraudulent or improper enumeration. Since the SSN is the de facto common identifier for most financial and identification transactions in this country, these crimes will continue to proliferate.

After a year's experience as Inspector General, I can accurately state that there is a substantial challenge facing the SSA OIG in safeguarding SSA's Trust Fund and General Treasury monies. It is more difficult to determine the exact or correct size of our investigative component. For most of the months of my tenure, our criminal investigator

staffing has been under strength with respect to the substantial mission we face. At creation in April 1995, we had 76 investigators on staff. The Commissioner actively supported an increase of 53 criminal investigators for the OIG by amending the FY 1996 budget request to shift funding and positions from other SSA components to the OIG. As the Subcommittee is aware, we were granted authority to recruit an additional 75 criminal investigators in FY 1997. All of this is a complex process and the dynamics of recruitment and training require an investment of time and resources that preclude us from making definitive determinations about our appropriate size, and more importantly our operational potential. As these new resources reach their journeyman work potential, their efforts can be factored into an assessment of the success of our overall agency performance vis-à-vis the SSA fraud vulnerability universe. We will continue to carefully track these activities and update the Subcommittee on the results of these efforts.

D. The Regional Breakout of the Office of Investigations

The Office of Investigations is organized into a Headquarters and eight field offices. Each of these field offices has sub-offices in various cities within their respective districts where the volume of work indicates that deployment of resources.

The Boston Field Office covers the New England States and has a staff of 12.

The New York Field Office covers New York and New Jersey and has a staff of 29.

The Washington, D.C. Field Office covers the District of Columbia, Maryland, Pennsylvania, Delaware, Virginia, and West Virginia and has a staff of 25.

The Atlanta Field Office covers the States of Kentucky, Georgia, North and South Carolina, Tennessee, Alabama, and Mississippi, and has a staff of 20.

The Tampa Field Office covers Florida and the Commonwealth of Puerto Rico, and has a staff of 18.

The Chicago Field Office covers the States of Illinois, Michigan, Indiana, Ohio, Missouri, Kansas, Nebraska, Iowa, Minnesota, and Wisconsin, and has a staff of 36.

The Dallas Field Office covers the States of Texas, Montana, North and South Dakota, Colorado, Wyoming, Utah, New Mexico, Oklahoma, Arkansas, and Louisiana, and has a staff of 33.

The Los Angeles Field Office covers the States of California, Washington, Oregon, Idaho, Nevada, Arizona, Hawaii, and Alaska, and has a staff of 40.

E. Overview of the Work in the Office of Investigations' Field Offices

The Commissioner has made an increased investigative response to fraud a major priority within SSA. The Office of Investigations closed FY 1996 with an inventory of 1,551 pending investigations. In the same fiscal year, our investigative efforts led to the convictions of 568 individuals for crimes involving SSA benefit programs or operations. Additionally, we reported either to SSA or the United States Treasury \$22,768,372 in fines, court-ordered restitution, or judgments, as the result of investigative activities. These results outline the scope of the Office of Investigations' mission across the United States. The intensity of our investigative operations matches those locations where SSA's benefits disbursements are similarly most intense: in the major urban centers, and especially in Southern California and Florida. In order to maximize the potential of our investigative operations, I have established the following priorities for our Special Agents in Charge to determine the application of our resources:

Our first priority is the investigation of all internal fraud activity within SSA's operations. In other words, the aggressive investigation of any fraud by SSA employees.

The second priority is the investigation of all frauds involving SSA benefits programs.

The third priority is the investigation of crimes involving the fraud or misuse of SSNs or Social Security cards.

Question 7. What can you tell us about your office's "hotline" since you became Inspector General? We understand that it is different from the one operated earlier, when SSA was part of HHS. Please include general information on the number of calls you are averaging per month and the categories they fall into (employee fraud, beneficiary fraud, etc.), as well as sources of calls by type (SSA employees, the public, etc.). Has the volume of these calls increased? Is your office able to keep up with them? If not, what additional resources do you estimate you might need?

Answer:

At the time of my confirmation as the SSA Inspector General, the Hotline was staffed by one full-time operator with limited supervision. Immediate steps were taken to assess the duties and responsibilities of the SSA OIG Hotline and to refocus its mission and objectives to complement major proactive fraud awareness and investigative initiatives developed by my office and that of the Office of the Commissioner. In addition, the role and function of the Hotline was substantially expanded to include the management and operation of the new OIG Allegation Management System (AMS). This system captures data concerning all allegations

of criminal activity reported to OIG nationwide. The AMS output will permit more timely management analysis of that data and enable OIG to more effectively focus its limited resources on audit and investigative initiatives.

Additional OIG and other manpower and resources were identified and dedicated to the establishment of the new SSA OIG Hotline. Presently, there are six operators. We plan to add five operators to handle the increase in Hotline volume due to the wide-ranging fraud awareness campaign of the Hotline within and outside SSA, and the workload generated by the new AMS system described earlier. Full-time management of the Hotline is provided by seasoned, career OIG employees who are experts in law enforcement and hotline operations.

Contact points at the SSA Deputy Commissioner level have been formally established with the Hotline to coordinate communications concerning Hotline referrals to SSA field and Headquarters components, expediting analysis and the implementation of corrective measures (if necessary), and other matters requiring priority or special handling. This connection also serves as a vital link in keeping senior SSA management officials informed of the types of fraud, waste, and abuse being reported to the OIG Hotline, and may identify trends or vulnerabilities requiring prompt action. After taking into account privacy and investigative considerations, results of selected matters reaching the Hotline will be made available to the Congress, SSA officials and other interested parties, such as the President's Council on Integrity and Efficiency. This basic communication step is designed to cement solid working relationships between SSA components and the Hotline, and to publicize Hotline activities and the disposition of allegations reported to it.

Presently, the average number of telephone calls received monthly by the Hotline is 4,000. On average, 300 letters are also received. Further, about 300 allegations requiring input by the Hotline to the AMS described previously are being received each month.

Generally, allegations reported to the Hotline fall into the following categories: employee fraud, beneficiary fraud, waste, abuse, misconduct, mismanagement, conflict of interest, and miscellaneous. Sources of calls and letters include (but are not limited to) SSA employees, the public, other government hotlines, other Federal, state, and local agencies (including law enforcement agencies), the Congress, GAO, and anonymous tips. The Hotline is growing and expanding as a result of modest preliminary publicity efforts within and outside SSA. Early results indicate that the volume of calls and letters reaching the Hotline will increase exponentially as our fraud awareness campaign moves into high gear. Despite the six-fold increase in the number of operators previously dedicated to the Hotline, our short-term plan is to quickly acquire five additional Program Specialists to more effectively process calls and letters in a timely manner. Long-range plans (late Summer) for fully implementing the increased AMS technology should enable a more efficient use of resources.

Question 8. Your data indicate that each investigator returned \$181,000 in savings, and each auditor returned \$980,000 in savings in your first year of operation. Tell us more about this, in particular what the cost to benefit ratio was in dollar amounts.

Answer:

The estimated savings (recoveries) for investigators consists of an extrapolation of recoveries for the period April 1, 1995 through March 31, 1996 from a baseline of 113 investigators. This extrapolation was increased by 30 percent for the following factors: the base year included furloughs and budget constraints, experienced investigators have now been hired, investigators will obtain program/operations knowledge and experience, and Joint Field Operations will be undertaken with other Federal, State, and local law enforcement agencies.

The \$181,000 in savings per investigator was the amount of base year recoveries (through fines, judgements and restitution) and consisted of:

SSA Dollars Recovered:

Retirement and Survivors' Insurance	\$2,294,787
Disability Insurance	2,992,184
Supplemental Security Income	<u>3,560,479</u>
Total SSA Dollars	<u>\$8,947,450</u>

Other Non-SSA Dollars (Primarily General Revenue Uncollected Taxes and Other Federal Programs' Benefits) Recovered Attributable to:

Social Security Number Fraud	\$11,356,454
Miscellaneous Fraud	<u>213,716</u>
Total Other Dollars	<u>\$11,570,170</u>

Total All Recoveries	<u>\$20,515,620</u>
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÷ Number of Investigators	113
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Dollar Recoveries Per Agent	<u>\$ 181,572</u>
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The \$980,000 in savings per auditor is attributable to \$112 million in recommendations from 20 reports issued during the base year that would result in reduced benefits or questioned costs if the recommendations were all implemented. The OIG had 114 auditors for the base year. Because the effort needed to implement could not be accomplished during the base year, we did not attempt to guess the actual amount of savings that will be attained from these specific recommendations. Fifteen of these 20 reports also contained recommendations

for funds put to better use totaling \$968 million; however, we did not include recommended funds put to better use in our estimate of base year audit savings.

Based upon these savings, we project our annual benefits to cost ratio would be nearly 3:1.

Question 9. Would you tell us a little more about these SSA computer operations, the number and expertise of the staff you are currently devoting to investigations in this area, and what you would need to establish adequate internal controls and protections? Is this the kind of expertise that you could obtain by hiring current SSA staff, particularly OPIR staff?

Answer:

The size and complexity of SSA's data processing operations are enormous. During FY 1996, SSA processed the following workloads:

- 50 million persons received \$380.6 billion in Title II and Title XVI benefits,
- almost 240 million earnings record accretions were processed,
- about 15.9 million requests for new SSNs or replacement cards were processed, and
- approximately 6.6 million Title II and Title XVI claims were processed.

Nearly all of this activity is directly dependent upon SSA's data processing operations.

In addition, as part of SSA's FY 1998 budget request, the Agency is requesting funding for numerous systems initiatives that it feels are critical to its mission. The following projects are included in its FY 1998 submission:

- \$350 million to fund the installation of Intelligent Workstations/Local Area Networks throughout SSA,
- \$30 million to fund increased automation of work processes,
- \$31 million to fund improved telephone service, and
- \$16 million to fund electronic service delivery initiatives.

To review these and other critical system development projects, the OIG is currently only able to devote nine staff to audits in the systems area. We believe we need 21 staff members to work in the systems area. This number is modest compared to the number suggested in a recent study performed by Coopers and Lybrand. The study recommended that we have 40 to 45 staff perform systems audits to effectively assess the vulnerability of SSA's systems technology on an ongoing basis. We do not know if individual OPIR staff members have the experience in the areas of ADP or auditing that are needed by the OIG.

Question 10. I was pleased to hear your mention of the disability program as an area of focus. You mentioned that you will be reviewing and reporting on SSA's progress in improving the timeliness and cost effectiveness of its disability program. I am deeply concerned about the differences in allowance rates between the State Disability Determination Services and the administrative law judges. Are your people focusing on decisional disparities? What other disability-related issues are you focusing on?

Answer:

The OIG is focusing on decisional disparities. Our FY 1997 Workplan includes the following reviews:

- ALJs' Reasons for Reversing Disability Decisions. This review will determine what factors influence ALJ's stated reasons for reversing disability decisions.
- Comparison of OHA's and DDS's Decision Criteria. This review will address inconsistencies between the DDS and the OHA decisions.

Our FY 1998 Workplan will include a review of:

- ALJ reversals to determine whether applicants presented different medical conditions when appealing the denial decision than they presented initially to the DDS. The DDSs did not consider these cases to be disabled based on the beneficiary's medical condition during the initial review.

In addition, as part of reviewing SSA's Redesign Plan, we plan to review the success of the process unification initiatives. Additional audit work related to the cost effectiveness of SSA's disability program is discussed in our answer to question number 11.

Question 11. Recently, as part of legislation to increase the earnings limit, Congress authorized substantial additional funding to clear up the continuing disability review (CDR)

backlog. I believe it was a whopping \$2.67 billion over 7 years. What role will your office play in advising Congress whether this money -- or any other large sums it authorizes SSA -- is being well spent to achieve what Congress intended?

Answer:

In recent years, SSA's backlog of CDRs that are overdue has grown and the Congress has increased the number of CDRs and medical reviews that must be conducted. The GAO estimated that 4.3 million DI and SSI beneficiaries were due or overdue for a CDR in 1996. To meet this challenge, SSA has established a plan to eliminate the backlog by 2002. In addition, Congress has mandated that SSA report annually on the CDRs conducted, the funds saved and the cost of conducting these CDRs. Congress, with the support of the Administration, provided specific funding for conducting certain kinds of CDRs.

To assess the effectiveness of SSA's actions to eliminate the CDR backlog and report on the cost of specific legislation, the following reviews are planned for FYs 1997 and/or 1998:

- SSA's planned expansion of its profiling system to include Medicare and Medicaid data in order to more reliably predict which beneficiaries would be cost effectively served by a mailer CDR instead of a full medical review.
- SSA's backlog plan to determine whether SSA's emphasis is on saving program funds in the most cost effective manner and not just to reduce the number of CDRs overdue.
- SSA's accounting for the specific funding provided by Congress to conduct certain types of CDRs. SSA estimates it will complete its annual report in early 1997. We will verify SSA's reported investment in CDRs and its related accomplishments.

Question 12. SSA has the responsibility for Old-age, Survivors and Disability Insurance and Supplemental Security Income. In which of these programs are most of the investigations conducted? Do your investigations indicate that any one program is more prone to abuse, waste or fraud?

Answer:

During the 20 months since SSA became an independent agency, the percentage of our investigative activities concentrated in the program areas were as follows:

SSN	RSI	DI	SSI	Other
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51% 15% 12% 20% 2%

The above numbers indicate that investigations have been predominantly enumeration fraud (SSN) cases. Enumeration is the process by which SSA assigns original SSNs, issues replacement cards to people with existing SSNs, and verifies SSNs for employers and other government agencies. The expanded use of SSN's as identifiers has given rise to the practice of counterfeiting SSN cards, obtaining SSN cards based on false information, and fraudulently misusing SSNs to obtain benefits and services from government programs, credit card companies, retailers and other businesses. Additional concerns relate to improperly issuing SSNs for illegal work activity by non-citizens, to issuing multiple SSNs to individuals, and to controls over third party involvement (i.e. hospitals, relatives, and other governmental agencies) in the enumeration process.

Since the inception of the OIG, its investigative resources have been dedicated to fraud in the following manner: 1) employees attempting to defraud SSA programs; 2) cases involving monetary losses to the trust funds; and 3) SSN fraud. As the OIG continues to expand and gain additional resources, we will be able to focus on employee and program fraud. The OIG anticipates that more allegations will be referred to the office thus generating more investigations of these fraud matters.

The Strategic Enforcement Team (SET), staffed with intelligence analysts and technical experts who support the OIG with research and early information about criminal schemes and techniques, has planned a fraud vulnerability study which will identify the types of fraud currently perpetrated against the programs of SSA. The team plans to quantify the impact of such fraud in terms of volume of activity and dollar loss incurred. The study will highlight previously successful efforts used to combat fraud. Additionally, the study will present what measures the Office of Investigations is currently taking or planning that will detect and prevent future criminal activity involving SSA programs and operations.

Question 13. Protecting the Social Security Trust Funds from all manners of waste, fraud and abuse is extremely important to the American public, and this Subcommittee is committed to doing all that it can to assist you to succeed in doing that. In addition to making sure that your office has the resources it needs, is there additional legislation that Congress could provide to help you in this effort?

Answer:

I appreciate your commitment to our efforts to combat waste, fraud, and abuse in the context of the Social Security Trust Funds, and your willingness to bring to Congress' attention any measures which might aid in that effort.

Proposals and implementation of additional tools to aid in combating SSA program fraud is among my highest priorities. To that end, I have created a group charged with identifying areas vulnerable to fraud within SSA's programs and with proposing solutions. The Deterrence and Recovery Measures Task Force (DRM), which consisted of staff members from each OIG component, fulfilled that purpose and created a plan to provide the OIG with additional legislative and regulatory tools to combat fraud. All legislative proposals which grow out of DRM's work will, of course, have to follow established Agency policies for development, review, and comment before they are submitted to Congress as part of the Agency's legislative package. I appreciate your interest in such proposals.

In addition, as you may be aware, a statute known colloquially as the Weingarten Rule (5 U.S.C. 7114(a)(2)(B)), provides for the presence of a union representative under certain circumstances when a union member employed by the agency is examined "by a representative of the agency in connection with an investigation...." (Emphasis added).

This office has been named in an unfair labor practice complaint (ULP) before the Federal Labor Relations Authority (FLRA) for refusing to allow a union representative in an OIG investigative interview of an employee. In addition, several similar charges have been leveled against this office by the AFGE and are under investigation by the FLRA.

Due to its statutory independence from SSA, an OIG investigator does not act as "a representative of the agency" when conducting investigative interviews, so the Weingarten Rule does not apply. Needless to say, the AFGE disagrees with this analysis and has repeatedly filed charges with the FLRA.

These ULP cases are a significant drain on the resources of this office. Legislation clarifying the Weingarten Rule would free those resources for the purpose for which they were intended -- the reduction of fraud, waste and abuse. Any assistance in this regard would be most helpful.

Question 14. Please tell us about cooperative work you are doing with other agencies, such as Office of the Attorney General, and agencies within the Departments of Justice and Treasury.

Answer:

We have conducted over 700 cases with other agencies since April 1, 1995. Specifically, the Office of Investigations has worked jointly with the FBI on 78 cases; 155 cases with the INS; 149 cases with the USSS; 22 cases with the IRS; 83 cases with the USPIS; and more than 50 cases with other OIG's, such as the Departments of Agriculture, Treasury, Health and Human Services, Energy, Housing and Urban Development, Labor, Education, Veteran's Affairs, and Defense; the Small Business Administration, and the General Services Administration. In addition, we have worked cooperatively with State and local law enforcement agencies on over 170 cases since its creation.

The following are some of the investigative operations that currently are being conducted with other agencies:

Utah Counterfeit Card Project

This project began in August 1996 as an effort to gather intelligence information regarding the manufacture/acquisition/trafficking of counterfeit Social Security cards as well as other identification documents and the use of those counterfeit SSA cards in the state of Utah. As specific subjects have been identified, cases have been opened and investigated by the Office of Investigations. This project is being worked jointly with the FBI and local law enforcement agencies in Utah.

Operation Fare Game

In September 1996, the Office of Investigations began joint investigation with the United States Border Patrol aimed at identifying deportable aliens currently working as taxi drivers, tour bus drivers and contract school bus drivers in Dade County, Florida. The targeted subjects have been identified as suspected illegal aliens possessing counterfeit SSNs and using false counterfeit social security documents.

Operation Pinch

The Office of Investigations is engaged in a nationwide, large scale investigation of a fraudulent credit card operation. Aspects of this crime involve West Africans who have bribed SSA employees to assist in the furtherance of their credit card fraud operation. The

We are working cooperatively with a task force including the USPIS and USSS into this widespread credit card scam. In February 1996, this case was presented and accepted for prosecution by the U.S. Attorney's Office for the Southern District of New York.

Southwest Tactical Operations Plan (STOP)

This operation was established to identify and suspend payments to SSI recipients fraudulently receiving benefits while residing in another country. STOP will be tested along our southwest border due to the numerous allegations regarding program fraud and abuse in this area. It is anticipated that this operation will result in the elimination of substantial numbers of illegal recipients and save the associated disbursements.

Presently, the operation's agents have selected 2,107 SSI recipients from El Paso zip codes 79901 and 79912. Each recipient was requested via mail to supply evidence of U.S. residency in the form of rental receipts, utility bills, tax records, etc. Starting on December 19, 1996, the operation sent notices to recipients who have failed to respond to the request for evidence of U.S. Residency, stating that their February 1997 checks will be suspended if they do not comply. The OIG will investigate all cases in which the recipient fails to respond. The operation is expected to be completed by April 15, 1997.

Question 15. I understand that one of your goals is to be more responsive to fraud allegations you receive from SSA employees and the general public, and I commend you for this. Can you tell us, on average, about how many allegations are coming into your office monthly from SSA employees, and also from the public? What steps are you also taking to deter emerging criminal schemes and sophisticated criminal enterprises that may be difficult to detect?

Answer:

On average, prior to the inauguration of the expanded OIG Hotline operation on November 25, 1996, between 5 and 10 percent of all allegations received were from present or former SSA employees.

With the expansion of the OIG Hotline, coupled with our proactive fraud awareness campaign, which includes posters, notices that accompany checks, news articles, and various public announcements of the SSA OIG Hotline, the number of allegations of all types, including reports from employees, has already sharply increased.

Since the official ribbon-cutting on November 25, 1996, more than 9,000 calls have reached the 800 toll-free telephone number and resulted in over 800 fraud allegations. We anticipate

that as many as 150 - 200 of these allegations may be from current or former SSA employees.

The Office of Investigations has established the following two groups that are dedicated to the deterrence and detection of emerging criminal schemes and sophisticated criminal enterprises:

The Enforcement Operations Division coordinates the Joint Field Operations (JFO). The JFO is staffed with highly experienced criminal investigators. These investigators draw upon their experience and established contacts within the law enforcement community to focus on significant fraud and enumeration violations against SSA programs. The JFO criminal investigators are located in strategic sites throughout the United States with special emphasis on States adjacent to the U.S. borders.

The Strategic Enforcement Team is staffed with intelligence analysts and technical experts who support the OIG with research and early warning information about criminal schemes and techniques. The team enhances the OIG's ability to identify crime patterns in a timely manner or trends in the types of frauds being perpetrated, and in developing novel approaches for combating complex fraud schemes.

One of the initiatives developed by the SET this year to detect and deter an emerging criminal scheme has been the Southwest Tactical Operations Plan. This is a pilot program designed to qualify and quantify fraud being perpetrated by large groups of individuals applying for benefits to which they are not entitled. The program will examine recipients who are fraudulently receiving SSI payments while residing outside the United States. This concept will be tested along our southwest border due to the numerous allegations regarding program fraud and abuse in this area. It may be utilized in other border areas at a later time.

Another initiative underway by the team focuses on the problem of doctors and attorneys who facilitate fraudulent applications for benefits. The team is currently targeting an attorney/doctor situation and has received the cooperation of the U.S. Attorney in that district. The pursuit of this investigation is intended to uncover the facilitators of this major source of fraudulent disability benefits and will provide experience and direction for application in several other areas.

Question 16. I understand that before coming to SSA, you were appointed by President Bush as Inspector General for the Nuclear Regulatory Commission, where you served for 7 years. In addition, you also served on the President's Commission on Organized Crime and as head of operations for the Department of Labor Office of Racketeering, both during the

Reagan Administration. Based on your experience as Inspector General for both agencies, and your background in criminal investigations, what are some of the consequences you have seen of not adequately deterring waste, fraud and abuse?

Answer:

My public service career in law enforcement has provided me with an appreciation for the challenges of designing and implementing enforcement programs to combat crime (or as in the case of Inspectors General, in eliminating fraud, waste and abuse). Conversely, my career has also provided me with an understanding of the consequences of failure to have such a program in areas vulnerable to fraud.

In several agencies where I've served, I've participated in the introduction of investigative operations where no prior enforcement operations existed. In these instances, the level of criminal activities had usually increased to provocative, and certainly unhealthy levels, requiring substantial law enforcement intervention.

The most dramatic of these instances involved my service with the Department of Labor, Office of Racketeering, and the President's Commission on Organized Crime, where the focus was on the infiltration of labor unions by organized crime. By the time the government decided to act on this crime issue, certain elements of organized labor in the United States were rife with corruption. Four international unions were completely controlled by the mafia, as were various industries in certain regions of the country. Crime in these mafia-controlled unions, as is the case with any enterprise or activity devoid of any law enforcement focus (to include government benefit programs) was out-of-control. Many of these criminal activities were so common and prolific that they were scarcely recognized by the public as being crimes. The participants seeking and granting benefits understood the schemes so well that they were perpetrated with a wink and a nod, rather than leaving behind more normal trails of criminal evidence. These conditions made evidence gathering and prosecution exceedingly difficult.

Decent union members witnessing the unchecked pillaging of union funds felt foolish for not participating in these criminal acts or cowardly for not attempting to stop them. This culture produced plummeting morale and cynicism among union members and even more damaging, a fear of the workplace. This is also sometimes the case among honest government benefit recipients and government workers where enforcement programs are failing. Government employees are outraged about the fraud and abuse they witness within government. Our challenge is to design and deploy our resources to combat this fraud in ways that make a difference. This is a critical consideration because my experience has also prepared me to understand that attempts to eliminate fraud or crime without a strategy to maximize the impact or effectiveness of these operations are doomed to failure. In areas where little enforcement has occurred over a long period of time, law enforcement attempts to attack

pandemic fraud are defeated by the reluctance of the courts to deal with crimes that have become so common that arrests and prosecutions are rare. As a result, these prosecutions actually appear to be the acts of selective prejudice by the government and are thus rejected by the courts.

There never will be a time where we possess enough resources to completely suppress fraud. Instead, our responsibility is to maximize the impact of our OIG operations by developing projects and procedures that count. What these strategies might be, and how we effectively fulfill them, is our abiding charge.

My past experience has also informed me about the consequences of failure to act effectively on these areas. I have witnessed valuable and important government programs collapse from the weight of abuse. The International Brotherhood of Teamsters' Central States Pension Fund was barred from making loans as investments because so many of their loans were to support mafia enterprises. I have also witnessed the costs of government programs become so prohibitively expensive that they are abandoned because no one could effectively separate deserving applicants from those who would defraud.

In sum, I understand the corrosive effects of failing to act decisively against program areas that are susceptible to fraud, waste and abuse. As I have indicated in these responses to the Subcommittee, we are well underway in the effort to effectively provide an effective enforcement program to the SSA.

Chairman BUNNING. I would like to ask the next panel to come forward. Diana Eisenstat, Associate Director, Income Security Issues, GAO; accompanied by Cynthia Fagnoni, Assistant Director, Income Security Issues; and Michael Blair, another Assistant Director, Income Security Issues from their Atlanta office. The GAO has done a great deal of work for this Subcommittee and this Congress, and we are grateful for their efforts.

Also joining the panel is Jerry Thomas of Decatur, Georgia, president, and Douglas Willman of Lincoln, Nebraska, president-elect of the National Council of DDS; and Larry DeVantier of Springfield, Illinois, president of the National Association of Disability Examiners.

Mr. Thomas testified before this Subcommittee on disability issues last year. This panel will be testifying on two very different issues, personal earnings and benefit estimate statements and SSA's disability program redesign initiatives.

In the interest of saving time, we would like GAO to present testimony on PEBES and then have Members ask any questions that they have on that. Then I would like the GAO to give their testimony on disability redesign, followed by testimony on that issue from the State DDS witnesses.

After all three witnesses have testified on disability redesign, Members can ask questions of the panel on these issues.

Mr. WILLIAMS. Thank you very much.

STATEMENT OF DIANA S. EISENSTAT, ASSOCIATE DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION AND HUMAN SERVICES DIVISION, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY CYNTHIA M. FAGNONI, ASSISTANT DIRECTOR, INCOME SECURITY ISSUES; AND MICHAEL BLAIR, ASSISTANT DIRECTOR, INCOME SECURITY ISSUES

Ms. EISENSTAT. Thank you.

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to discuss how effectively—

Chairman BUNNING. Would you please put the mike a lot closer so we can all hear you?

Ms. EISENSTAT. Is this better?

Chairman BUNNING. That is better.

Ms. EISENSTAT. I am pleased to be here today to discuss how effectively the Social Security Administration's personal earnings and benefit estimate statements, PEBES, convey information to the public.

PEBES is a 6-page statement which provides workers with information about their yearly earnings on record at SSA and the amount of Social Security retirement, survivor, and disability benefits they will receive. You have a copy of PEBES before you, and I believe it is also going to be displayed over here on these boards.

SSA has provided PEBES statements to the public upon request since 1988, but Congress required SSA to begin sending out PEBES to workers automatically beginning in 1995.

Starting in fiscal year 2000, PEBES will be sent to almost every U.S. worker, age 25 and older, an estimated 123 million each year. SSA projects that this effort will cost more than \$80 million in fiscal year 2000 alone.

By providing PEBES, SSA's goals are to give the public a better understanding of Social Security benefits, assist workers in planning for their financial futures, and to better ensure that Social Security earnings records are accurate and complete.

Our work has shown that SSA has taken steps to improve PEBES, and the public reaction has been positive. However, the statement fails to communicate clearly the complex information readers need to understand SSA's programs and benefits. Also, the design and organization of the statement make it difficult to locate and understand important information.

We believe that PEBES can be improved by making the purpose of the statement more clear in the Commissioner's letter. As you can see by looking at this first board, the presentation is uninviting. The type is too densely packed. The lines are too long. There is not enough white space, and the key points are not highlighted.

After a recent briefing of SSA officials, the agency decided to shorten and clarify the Commissioner's letter for the 1997 mailing. Comments from SSA's public focus groups, SSA employees, and benefit experts, also indicate that the statement contains too much information and is too complex. This is especially true for younger workers who have expressed a preference for a 2-page statement, a simpler 1-page form containing their estimated benefits and taxes paid, and a separate pamphlet containing the explanatory information.

SSA has not made the best use of layout and design to help the reader identify the most important points and move easily from one section to the next. Information in PEBES does not appear where needed.

By looking at the second board, you will note that the statement contains a patchwork of explanations throughout the document. This causes readers to flip from page to page repeatedly.

The blue highlighted material contains information needed to understand the benefit estimates, and the yellow highlighted material contains information needed to understand the earnings record and taxes paid.

Although the public and benefit experts agree that the current statement is too long, there is no clear consensus on how best to present benefit information. The Canadian Government, for example, chose to use a two-part document. They provide the individual earnings record and benefit estimates in a brief 1-page statement and detail the program explanations in a separate brochure.

SSA is considering an extensive redesign of PEBES for the fiscal year 1999 mailings, but only if it saves money on printing costs. However, we suggest that SSA look at the hidden costs of not making changes. For example, readers who have questions or do not understand why they receive the statement may call or visit SSA creating more work for its staff. Furthermore, if PEBES frustrates or confuses people, receiving a statement could undermine public confidence in SSA and its programs.

A number of complex decisions must be made which balance cost and the public's need for information with the risk of providing too much. Our work suggests that improving PEBES will demand attention from SSA senior leadership.

In addition to revising the Commissioner's message, SSA can make some basic changes to improve the statement. However, more extensive revisions are needed to ensure that the statement communicates effectively. SSA will need to start now to complete these changes before its 1999 redesign target date. The changes include making better use of layout and design, working to simplify certain explanations, and testing reader comprehension.

It also needs to evaluate and test alternative formats for communicating the information presented in PEBES in a cost-effective manner.

Mr. Chairman, this concludes my formal remarks. I would be happy to answer any questions.

[The prepared statement and attachment follow:]

**STATEMENT OF DIANA S. EISENSTAT
ASSOCIATE DIRECTOR, INCOME SECURITY ISSUES
HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, GAO**

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Social Security Administration's (SSA) Personal Earnings and Benefit Estimate Statement (PEBES). This six-page statement supplies information about a worker's yearly earnings on record at SSA; eligibility for Social Security retirement, survivor, and disability benefits; and estimates of these benefits. The PEBES also explains Social Security programs and benefits.¹

SSA has provided a PEBES to individuals upon request since 1988. As required by the Congress, in 1995 SSA began sending the statements automatically to workers who have reached age 60. Starting in fiscal year 2000, statements will reach an estimated 123 million people each year--almost every U.S. worker age 25 and older. SSA projects that this effort will cost more than \$80 million in fiscal year 2000 alone.

Personal experience with a federal agency and its programs can greatly influence public opinion about that agency. Receiving a PEBES is likely to be most workers only experience with SSA until they retire or possibly become disabled. Both the sponsor of the legislation requiring these statements and SSA officials hope that the statements will help build confidence in Social Security programs by informing the public about Social Security benefits and serve as a useful financial planning tool.

In recent testimony before this Subcommittee,² we noted that legislative requirements for the PEBES present a significant workload challenge for SSA. Today I would like to discuss our ongoing work for the Subcommittee on how effectively the PEBES conveys information to the public. Specifically, I will focus on what SSA has done to improve the statement, the extent to which the PEBES communicates its goals and information clearly, SSA's plans to revise the statement, and actions we believe will improve it. To develop this information, we reviewed SSA's documentation on the PEBES and met with SSA officials and field office staff. We also reviewed selected public- and private-sector pension benefit statements and discussed them with recognized experts in the field. Finally, we consulted an expert in document design and communication to review and provide comments on the PEBES.

In summary, we found that SSA has taken steps to improve the PEBES, and feedback indicates that, overall, the public feels that the statement can be a valuable tool for retirement planning. The statement fails to communicate clearly, however, the complex information readers need to understand SSA's programs and benefits. The statement, for example, does not explicitly state its purpose. In addition, the design and organization of the statement make it difficult for the reader to locate and understand important information. For example, the information needed to fully understand the benefit estimates is spread over five pages. Public feedback on the statement also indicates that readers are confused by several important explanations, such as who in their family is also eligible for benefits and how much these family members might receive.

SSA is considering redesigning the PEBES but only if the redesign results in reduced printing costs. This approach overlooks hidden costs, such as (1) the workload generated by public inquiries when people do not understand the statement and (2) the possibility that a poorly designed statement can undermine, rather than boost, public confidence. Issuing these statements is a significant initiative for SSA, and the agency should take steps now to redesign the statement to more effectively present PEBES

¹Appendix I contains a copy of a 1996 PEBES, which has been slightly reduced for photocopying purposes.

²Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/T-OCG-96-7, July 25, 1996).

information. Active leadership from SSA's senior managers needed to ensure the success of this important initiative.

OVERVIEW OF THE PEBES

Since the Social Security Act became law in 1935, workers have had the right to review their earnings records on file at SSA to ensure that they are correct.¹ In 1988, SSA introduced the PEBES to better enable workers who requested such information to review their earnings records and obtain benefit estimates. According to SSA, less than 2 percent of workers who pay Social Security taxes request these statements each year.

The PEBES legislation² requires SSA to begin sending statements to eligible workers³ according to the schedule that appears in table 1. SSA plans to mail some statements even sooner than required. By fiscal year 2000, SSA plans to have mailed statements automatically to over 70 million workers.

Table 1: Schedule for Distributing Benefit Statements

Fiscal year	Eligible individuals	Volume estimated by SSA
1995	age 60 and over	6.7 million ⁴
1996-1999	turning age 60 during the year	1.6 to 1.8 million annually
2000+	age 25 and older	123 million annually

By providing these statements, SSA's goals are to (1) better inform the public of benefits available under SSA's programs, (2) assist workers in planning for their financial future, and (3) better ensure that Social Security earnings records are complete and accurate. Correcting earnings records benefits both SSA and the public because early identification and correction of errors in earnings records can reduce the time and cost required to correct them years later when an individual files for retirement benefits.

Issuing the PEBES is a significant initiative for SSA. The projected cost of more than \$80 million in fiscal year 2000 includes \$56 million for production costs, such as printing and mailing the statement, and \$24 million for personnel costs. SSA estimates that 608 staff-years will be required to handle the PEBES workload in fiscal year 2000: SSA staff are needed to prepare the statements, investigate discrepancies in workers' earnings records, and respond to public inquiries.

¹Overall, the chance of SSA incorrectly recording a wage is small. According to SSA's Accountability Report for Fiscal Year 1995, 98.7 percent of reported earnings are posted accurately to an individual's record. Even this accuracy rate of almost 99 percent, however, results in over 2 million earnings each year that cannot be linked to specific individuals' records.

²P.L. 101-239 and P.L. 101-508.

³SSA must send a PEBES to those who are at least 25 years old, have a Social Security number, have wages or net earnings from self-employment, are not receiving title II benefits, and have a current address obtainable by SSA.

⁴This is SSA's total of mandated statements actually mailed in 1995.

SSA HAS TAKEN STEPS TO ENHANCE THE PEBES;
PUBLIC REACTION HAS BEEN POSITIVE

Since the PEBES was first developed, SSA has conducted several small-scale and national surveys to assess the general public's reaction to receiving an unsolicited PEBES. In addition, SSA has conducted a series of focus groups to elicit the public's and SSA employees' opinion of the statement and what parts of it they did and did not understand.

In response to this feedback and suggestions from SSA staff, SSA revised the statement. For example, early statements routinely provided retirement benefit estimates for age 65, the earliest age at which workers could retire and receive their full Social Security retirement benefit,⁷ and for delayed retirement at age 70. When SSA learned that many people were interested in the effect of early retirement on their benefits, SSA added an estimate for retirement at age 62.

Overall public reaction to receiving an unsolicited PEBES has been consistently favorable. In a nationally representative survey conducted during a 1994 pilot test, the majority of respondents indicated they were glad to receive their statements.⁸ In addition, 95 percent of the respondents said the information provided was helpful to their families. Overall, older individuals reacted more favorably to receiving a PEBES than did younger individuals. In addition, SSA representatives who answer the toll-free telephone calls from the public have stated that most callers are pleased that they received a PEBES and say that the information is useful for financial planning.

CLEARLY COMMUNICATING SSA PROGRAM AND BENEFIT INFORMATION COULD
FURTHER ENHANCE THE PEBES' VALUE

Although SSA has taken steps to improve the PEBES, we found that the current statement still provides too much information, which may overwhelm the reader, and presents the information in a way that undermines its usefulness. These weaknesses are attributable, in part, to the process SSA used to develop the PEBES. Additional information and expanded explanations have made the statement longer, but some explanations still confuse readers. Moreover, SSA has not tested for reader comprehension and has not collected detailed information from its front-line workers on the public's response to the PEBES.

Research suggests that, in general, people find forms, notices, and statements difficult to use and understand. For this reason, many people may approach a PEBES-like statement with fear, frustration, insecurity, and hesitation.⁹ To overcome this challenge, the design expert we consulted suggested that such statements have the following:

- An obvious purpose: Readers need to know immediately why they got the statement, what information it contains, and what they are expected to do with the information.
- An attractive and functional design and organization: The statement should look easy to read, the sections should be

⁷Individuals born in 1937 or earlier can retire at age 65 and receive their full benefit. For individuals born after 1937, the age at which they can retire and receive their full benefit gradually increases, up to 67 for those born in 1960 and later.

⁸As of September 6, 1996, the results of SSA's most recent public opinion survey, conducted in 1995, had not yet been released.

⁹Carolyn Boccella Bagin, A Review of Your Personal Earnings and Benefit Estimate Statement (Rockville, Md.: July 1996), p. 6.

clearly labeled, and the organization should be evident at a glance. When readers need explanations to understand complex information, the explanations should appear with the information.

- Easy-to-understand explanations: Readers need explanations of complex programs and benefits in the simplest and most straightforward language possible.

Commissioner's Message Does Not Effectively Convey Purpose

In the 1996 PEBES, the message from the Commissioner of Social Security does not clearly explain why SSA is providing the statement. Although the message does include information on the statement's contents and the need for individuals to review the earnings recorded by SSA, its presentation is uninviting, according to the design expert we consulted. More specifically, the type is too dense; the lines are too long; white space is lacking; and the key points are not highlighted. If the PEBES' recipients do not read the Commissioner's message, they may not understand why reviewing the statement is important.

The message also attempts to reassure people that the Social Security program will be there when they need it with the following reference (from the 1996 PEBES) to the system's solvency:

The Social Security Board of Trustees projects that the system will continue to have adequate resources to pay benefits in full for more than 30 years. This means that there is time for the Congress to make changes needed to safeguard the program's financial future. I am confident these actions will result in the continuation of the American public's widespread support for Social Security.

Some participants in SSA focus groups, however, thought the message suggested that the resources would not necessarily be there after 30 years. For example, one participant in a 1994 focus group reviewing a similar Commissioner's message said, "...[the] first thing I think about when I read the message is, [Social Security] is not going to be there for me."

Design and Organization Are Not User-Friendly

Comments from SSA's public focus groups, SSA employees, and benefit experts indicate that the statement contains too much information and is too complex. In a 1994 focus group summary, for example, SSA reported that younger workers aged 25 to 35 wanted "a much simplified form--a single page--with estimated benefits and how much in taxes they paid into the system with the remainder of the information put in a pamphlet for future reference." Moreover, given the length and complexity of the current statement, some focus group participants and benefit experts suggested that SSA add an index or a table of contents to help readers navigate the statement.

SSA has not used the best layout and design to help the reader identify the most important points and move easily from one section to the next. The organization of the statement is not clear at a glance. Readers cannot immediately grasp what the sections of the statement are, and in which order they should read them, according to the design expert with whom we consulted. The statement lacks effective use of features such as bulleting and highlighting that would make it more user-friendly.

In addition, the PEBES is disorganized: information does not appear where needed. The statement has a patchwork of explanations scattered throughout, causing readers to flip repeatedly from one page to another to find needed information. For example, page two begins by referring the reader to page four, and page three contains six references to information on other pages.

Furthermore, to understand how the benefit estimates were developed and any limitations to these estimates, a PEBES recipient must read explanations spread over five pages.

The statement's spreading of benefit estimate explanations over several pages may result in individuals missing important information. This is especially true for people whose benefits are affected by special circumstances, which SSA does not take into consideration in developing PEBES benefit estimates. For example, the PEBES estimate is overstated for federal workers who are eligible for both the Civil Service Retirement System and Social Security benefits. For these workers, the law requires a reduction in their Social Security retirement or disability benefits according to a specific formula.¹⁰ In 1996, this reduction may be as much as \$219 per month; however, PEBES' benefit estimates do not reflect this reduction. The benefit estimate appears on page three; the explanation of the possible reduction does not appear until the bottom of page five. Without fully reviewing this additional information, a reader may not realize that the PEBES benefit estimate could be overstated.

Explanations Are Not Always Easy to Understand

Because PEBES addresses complex programs and issues, explaining these points in simple, straightforward language is challenging. Although SSA made changes to improve the explanation of work credits,¹¹ for example, many people still do not understand what these credits are, the relevance of the credits to their benefits, and how they are accumulated.

The public also frequently asks questions about the PEBES' explanation of family benefits.¹² Family benefits are difficult to calculate and explain because the amount depends on several different factors, such as the age of the spouse and the spouse's eligibility for benefits on his or her own work record. Informing the public about family benefits, however, is especially important: a 1995 SSA survey revealed that as much as 40 percent of the public is not aware of these benefits.

Weaknesses of the PEBES Are Linked to SSA's Approach

A team of representatives from a cross section of SSA offices governed SSA's decisions on the PEBES' development, testing, and implementation. The team revised and expanded the statement in response to feedback on individual problems. The design expert we consulted observed that the current statement "appears to have been the result of too many authors, without a designated person to review the entire piece from the eyes of the readers. It seems to have developed over time, piecemeal...."¹³

¹⁰This reduction, commonly known as the Windfall Elimination Provision, was enacted 1983. Its purpose is to remove an unintended advantage in the way benefits are calculated for workers who qualify for Social Security benefits but have spent most of their careers working in jobs that are not covered by Social Security.

¹¹These credits are earned by working for employers that pay taxes to the Social Security system. The minimum number of credits needed varies, depending on the type of benefit and the age of the worker.

¹²SSA uses the term "family benefits" to discuss benefits paid to a worker's spouse or young children when the worker is retired or disabled.

¹³Bagin, p. 18.

Although SSA officials got the public's feedback, they missed some key opportunities along the way to improve the statement. While SSA conducted tests to ensure that the PEBES could be read at a seventh grade level, it has not conducted formal comprehension tests.¹⁴ For example, SSA could have administered either verbal or written tests to a sample of readers to determine whether they actually understood SSA's explanations of certain complex issues. These tests would have provided SSA with quantifiable, objective information to use in revising the statement. SSA has also failed to take advantage of information from its front-line workers who answer the public's questions about the PEBES every day. SSA currently has front-line workers record the reason why people call; however, the information collected does not provide sufficient detail for SSA to understand the problems people are having with the PEBES.

No Consensus on the Best Model for the Statement

Although the public and benefit experts agree that the current statement contains too much information, neither a standard benefit statement model exists in the public or private sector nor does a clear consensus on how best to present benefit information. The Canadian government chose to use a two-part document when it began sending out unsolicited benefit statements in 1985. The Canada Pension Plan's one-page statement provides specific individual information, including the earnings record and benefit estimates. A separate brochure details the program explanations. The first time the Plan mails the statement, it sends both the one-page individual information and the detailed brochure; subsequent mailings contain only the single page with the individual information.

Although some focus group participants and benefit experts prefer a two-part format, others believe that all information should remain in a single document, fearing that statement recipients will lose or might not read the separate explanations. SSA has twice tested the public's reaction to receiving two separate documents. On the basis of a 1987 focus group test, SSA concluded that it needed to either redesign the explanatory brochure or incorporate the information into one document. SSA chose the latter approach. In a 1994 test, people indicated that they preferred receiving one document; however, the single document SSA used in the test had less information and a more readable format than the current PEBES.

REDESIGN PLANS DO NOT FULLY CONSIDER COSTS

SSA, through the Government Printing Office, has awarded a 2-year contract for printing the fiscal years 1997 and 1998 statements. These statements will have the same format as the current PEBES with only a few wording changes. SSA is planning a more extensive redesign of the PEBES for the fiscal year 1999 mailings but only if it will save money on printing costs.

By focusing on reduced printing costs as the main reason for redesigning the PEBES, SSA is overlooking the hidden costs of the statement's existing weaknesses. For example, if people do not understand why they got the statement or have questions about information provided in the statement, they may call or visit SSA, creating more work for SSA staff. Furthermore, if the PEBES frustrates or confuses people, it could undermine public confidence in SSA and its programs.

Our work suggests, and experts agree, that the PEBES' value could be enhanced by several changes. Yet SSA's redesign team is

¹⁴In a 1988 telephone survey during the PEBES early development, SSA asked a few questions to check for reader comprehension. The statement has changed significantly since that time, however.

focusing on reducing printing costs without considering all of the factors that would ensure that PEBES is a cost-effective document.

OBSERVATIONS ON NEEDED PEBES IMPROVEMENTS

The PEBES initiative is an important step in better informing the public about SSA's programs and benefits. To improve the statement, SSA can quickly make some basic changes. For example, SSA officials told us that, on the basis of our findings, they have revised the Commissioner's message for the 1997 PEBES to make it shorter and less complex. More extensive revisions are needed, however, to ensure that the statement communicates effectively. SSA will need to start now to complete these changes before its 1999 redesign target date. The changes include improving the layout and design and simplifying certain explanations. These revisions will require time to collect data and to develop and test alternatives. SSA can help ensure that the changes target the most significant weaknesses by systematically obtaining more detailed feedback from front-line workers. SSA could also ensure that the changes clarify the statement by conducting formal comprehension tests with a sample of future PEBES recipients.

In addition, we believe SSA should evaluate alternative formats for communicating the information presented in PEBES. For example, SSA could present the Commissioner's message in a separate cover letter accompanying the statement, or SSA could consider a two-part option, similar to the approach of the Canada Pension Plan. To select the most cost-effective option, SSA needs to collect and assess additional cost information on options available and test different PEBES formats.

Our work suggests that improving PEBES will demand attention from SSA's senior leadership. For example, how best to balance the public's need for information with the problems resulting from providing too much information are too difficult and complex to resolve without senior-level SSA involvement.

Mr. Chairman, this concludes my formal remarks. I would be happy to answer any questions from you and other members of the Subcommittee. Thank you.

For more information on this testimony, please call Diana S. Eisenstat, Associate Director, Income Security Issues, at (202) 512-5562 or Cynthia M. Fagnoni, Assistant Director, at (202) 512-7202. Other major contributors include Evaluators Kay Brown, Nora Perry, and Elizabeth Jones.

YOUR PERSONAL EARNINGS AND BENEFIT ESTIMATE STATEMENT**Your Personal Earnings and Benefit Estimate Statement**
from the SOCIAL SECURITY ADMINISTRATION

February 21, 1996

JANE Q PUBLIC
123 MAIN STREET
WASHINGTON, DC 20223-0000

A Message from the Commissioner of Social Security

Last year, the Social Security Administration sent a Personal Earnings and Benefit Estimate Statement to every American 60 years of age or older who was not receiving Social Security benefits. The purpose of the mailing was to help those individuals understand the value of Social Security in their lives as they plan their financial future. This year, we are sending the statement to people like yourself who are (or soon will be) age 60.

This statement shows the estimated amount of Social Security benefits you and your family may be eligible for now and in the future. The statement also lists the earnings your employers (or you, if you're self-employed) have reported to Social Security over the years. If your records don't agree, please let us know right away. That's important because your benefits will be based on our records of your earnings.

Keep in mind, Social Security benefits are not intended to meet all your financial needs. For example, when you retire, you'll probably need other income, such as savings or a pension.

It's also important to remember that Social Security protection offers more than retirement benefits. Most workers have Social Security disability coverage to protect them from loss of income if they become severely disabled. In addition, financial protection is available to your family through Social Security survivors benefits if you should die.

To help you better understand the basic facts about Social Security, we have included some frequently asked questions on the back of this statement. If you have other questions, we'll be glad to answer them.

For over 60 years, Social Security has worked for all of us and for our families. The Social Security Board of Trustees projects that the system will continue to have adequate resources to pay benefits in full for more than 30 years. This means there is time for the Congress to make changes needed to safeguard the program's financial future. I am confident these actions will result in the continuation of the American public's widespread support for Social Security.

We look forward to serving you today and in the future.

Shirley S. Chater
Commissioner of Social Security

**You and Your
Social Security**

This statement provides information about your own Social Security record only. It does not talk about Social Security benefits you are now getting or might get in the future on anyone else's record. We used the following information to prepare your statement:

Your Name	Jane Q. Public
Your Social Security Number	XXX-XX-XXXX
Your Date of Birth	April 26, 1937
Estimated Future Earnings 1995 On	\$33,375
Other Social Security Numbers Also Assigned to You	None

APPENDIX I

APPENDIX I

Your Social Security Earnings

On page 4, we explain more about covered earnings and Social Security and Medicare taxes. The following chart shows your reported earnings. It may not show some or all of your earnings from last year because they are not yet recorded. This year's earnings will not be reported to us until next year.

If your own records do not agree with the earnings amounts shown, please contact us right away.

Years	Social Security			Medicare		
	Maximum Taxable Earnings	Your Reported Earnings	Estimated Taxes You Paid	Maximum Taxable Earnings	Your Reported Earnings	Estimated Taxes You Paid
1937-50	\$3,000	\$ 0	\$ 0			
1951	3,600	0	0			
1952	3,600	155	2			
1953	3,600	945	14			
1954	3,600	0	0			
1955	4,200	0	0			
1956	4,200	0	0			
1957	4,200	1,180	26			
1958	4,200	35	0			
1959	4,800	430	10			
1960	4,800	94	2			
1961	4,800	2,133	64			
1962	4,800	4,696	146			
1963	4,800	4,336	157			
1964	4,800	4,066	147			
1965	4,800	4,292	155			
1966	6,600	4,841	186	\$6,600	\$ 4,841	\$ 16
1967	6,600	5,040	196	6,600	5,040	25
1968	7,800	5,240	199	7,800	5,240	31
1969	7,800	5,560	233	7,800	5,560	33
1970	7,800	6,259	262	7,800	6,259	37
1971	7,800	6,160	283	7,800	6,160	36
1972	9,000	7,216	331	9,000	7,216	43
1973	10,800	8,405	407	10,800	8,405	84
1974	13,200	10,490	519	13,200	10,490	94
1975	14,100	10,652	527	14,100	10,652	95
1976	15,300	12,050	596	15,300	12,050	108
1977	16,500	13,578	672	16,500	13,578	122
1978	17,700	16,224	819	17,700	16,224	162
1979	22,900	16,912	859	22,900	16,912	177
1980	25,900	17,403	884	25,900	17,403	182
1981	29,700	19,732	1,055	29,700	19,732	256
1982	32,400	22,280	1,203	32,400	22,280	289
1983	35,700	22,717	1,226	35,700	22,717	295
1984	37,800	23,694	1,279	37,800	23,694	308
1985	39,600	25,411	1,448	39,600	25,411	343
1986	42,000	26,749	1,524	42,000	26,749	387
1987	43,800	27,970	1,594	43,800	27,970	405
1988	45,000	29,146	1,766	45,000	29,146	422
1989	48,000	30,139	1,826	48,000	30,139	437
1990	51,300	30,472	1,889	51,300	30,472	441
1991	53,400	30,718	1,904	125,000	30,718	445
1992	55,500	30,726	1,905	130,200	30,726	445
1993	57,600	31,307	1,941	135,000	31,307	453
1994	60,600	33,375	2,069	No Limit	33,375	483
1995	61,200	Not Yet Recorded		No Limit	Not Yet Recorded	
1996	62,700			No Limit		
Total estimated Social Security taxes paid			\$ 30,325	Total estimated Medicare taxes paid \$ 6,654		

Your Estimated Social Security Benefits

Your work under Social Security helps you and your family to qualify for benefit payments. The kinds of benefits you might get are described below. For each benefit, you need a certain number of work credits (see page 5). Once you have enough credits, your benefit amounts depend on your average earnings over your working lifetime. We used the earnings in the chart on page 2 to figure your credits and estimate your benefits. We assumed that you will continue to work and make about the same as the latest earnings shown on your records for 1994 or 1995.

Retirement Benefits

To get Social Security retirement benefits, you need 40 credits. That is also how many you need for Medicare at age 65. Your record shows that you have enough credits.

On page 5, we explain about different ages when you can retire. If you worked at your present rate up to each retirement age, your monthly amount would be about:

At age 62 (reduced benefit)	\$ 870
At full-retirement age (age 65)	\$ 1,100
At age 70	\$ 1,480

Disability Benefits

On page 6, we tell you about disability benefits. If you become disabled right now, you need 37 credits to qualify for disability benefits. Of these credits, 20 had to be earned in the last 10 years. Your record shows that you have earned enough credits within the right time.

Right now, your monthly disability benefit amount would be about \$ 1,070

Family Benefits

If you get retirement or disability benefits, your spouse and young children may also qualify for benefits. See page 6 for more information about family benefits.

Survivor Benefits

If you die, certain members of your family may qualify for survivor benefits on your record. See page 6 for an explanation of who may qualify.

If you die this year, you need 37 credits for your survivors to get benefits. Your record shows you have enough. If they met all other requirements, monthly benefit amounts would be about:

For your child	\$ 810
For your spouse who is caring for your child	\$ 810
When your spouse reaches full-retirement age	\$ 1,080
For all your family members, if others also qualify (more children for example)	\$ 1,895

We may also be able to pay your spouse or eligible children a one-time death benefit of \$255.

Medicare

Medicare hospital and medical insurance is a two-part benefit program that helps protect you from the high costs of medical care. Hospital insurance benefits (Part A) help pay the cost when you are in the hospital and for certain kinds of follow-up care. Medical insurance benefits (Part B) help pay the cost of doctors' services.

If you have enough work credits, you may qualify for Medicare hospital insurance at age 65, even if you are still working. You may qualify before age 65 if you are disabled or have permanent kidney failure. Your spouse may also qualify for hospital insurance at 65 on your record.

Almost anyone who is 65 or older or who qualifies for Medicare hospital insurance can enroll for medical insurance. You must pay a monthly premium for it.

For More Information or To Correct Your Record

After you read this statement, please call 1-800-537-7005* if you have any questions, if you need to report any missing or wrong earnings on your record, if you want to apply for benefits, or if you want this statement in Spanish. This statement is not a decision on a claim for Social Security or Medicare Benefits. You do not qualify for any of these benefits unless you apply for them and meet all the requirements. This statement is just an estimate of what you may get. In the meantime, your record is updated every year. You can request a new statement to make sure it stays correct.

*Social Security treats all calls confidentially—whether they are made to our toll-free number or to one of our local offices. But we also want to be sure that you receive accurate and courteous service. That is why we have a second Social Security representative listen to some incoming and outgoing telephone calls.

Your Earnings Record

Why does Social Security keep a record of my earnings?

We keep a record of the amount of earnings reported each year under your name and Social Security number. When you apply for benefits, we check your record to see if you worked enough over the years to qualify. Then we base the amount of your payments on your average earnings over your working lifetime.

What kinds of earnings may be on my record?

Almost all kinds of employment and self-employment earnings are covered for Social Security and Medicare:

- Most wages have been covered by Social Security taxes since 1937 and most kinds of self-employment since 1951.
- Medicare taxes on both kinds of earnings started in 1966.
- Some Federal, State and local government workers do not pay Social Security taxes, but most of them do pay Medicare taxes on their "Medicare qualified government earnings."

If you work for wages, your employer reports the amount of your earnings to Social Security after the end of each year. If you are self-employed, you report your net earnings on your yearly income tax return. The chart on page 2 shows the amounts of earnings reported to us. If you had more than one employer during the year, your earnings from all of them have been combined.

If my work is covered for Social Security and Medicare, do all my earnings go on record?

Not necessarily. There are limits each year on how much earnings are taxable for Social Security and for Medicare. If you earn more than the maximum amount, the extra earnings will not be shown.

The chart on page 2 shows the maximum amount that was taxable for each year so far. The amount was the same for both Social Security and Medicare from 1966 through 1990. The Medicare maximum amount was higher from 1991 through 1993. Beginning in 1994, there is no maximum for Medicare. You now pay the Medicare tax on *all* your wages and self-employment earnings. There is still a limit on taxable Social Security earnings, however.

Are my military service earnings on record?

Your statement shows basic military pay you earned from active duty or active duty for training since 1957 and from inactive duty for training since 1968.

In some cases, you may also qualify for free earnings credits for military service from September 1940 through December 1956. We do not show these free credits on this statement. We decide if you qualify for them when you apply for benefits.

What about railroad work?

If you worked in the railroad industry for less than 10 years, your railroad earnings are included on the chart. We considered these earnings when we counted your credits and estimated your benefits. (If you have 10 or more years of railroad work, you should contact a Railroad Retirement Board office for information about railroad pension benefits.)

Your Social Security Taxes

Why does the chart on page 2 say "Estimated Taxes You Paid"?

The Internal Revenue Service collects your Social Security and Medicare taxes. We do not keep that record. To estimate the Social Security and Medicare taxes you paid, we multiplied your reported earnings by the tax rate for each year. The amounts are shown in separate columns on the chart. If you had both wages and self-employment earnings in the same year, we estimate the taxes as if the total amount was wages. If you had both Social Security earnings and government earnings that qualified for Medicare in the same year, we estimate the combined Medicare taxes you paid.

What are the tax rates this year?

You and your employer each pay Social Security taxes of 6.2 percent on the first \$62,700 of covered wages. You each also pay Medicare taxes of 1.45 percent on *all* your covered wages. If you are self-employed, your Social Security tax is 12.4 percent and your Medicare tax is 2.9 percent on the same amounts of earnings.

Form SSA-7005-SM-SI (2-96)

Printed on recycled paper

Earning Social Security and Medicare Credits

What are "credits" and how do I earn them?

As you work and pay Social Security taxes, you earn Social Security credits:

- Before 1978, when your employer reported your earnings every 3 months, they were called "quarters of coverage." Back then, you earned a quarter or credit if you earned at least \$30 dollars in a 3-month quarter.
- Starting with 1978 your employer reports your earnings just once a year and credits are based on how much you earn during the year. The amount it takes to earn a credit changes each year.
- In 1996, you get one credit for each \$640 of your covered annual earnings, up to a maximum of 4 credits for the year, no matter when you work during the year.

How many credits do I need for benefits?

On page 3, we tell you how many credits you need for each kind of benefit and whether you have enough. Most people need 40 credits (10 years of work) to qualify for benefits. Younger people need fewer credits for disability or for their family members to get survivors benefits if they should die.

What if I do not have enough credits yet?

The credits you already earned remain on your record, and you add to them as you continue to work and pay Social Security taxes. Under certain conditions, we may also use credits you earned under a foreign social security system to help you qualify for benefits.

What about credits for Medicare benefits?

When you earn credits for Social Security benefits, they also count for Medicare. However, if you have government earnings on which you pay Medicare taxes but not Social Security taxes, those are considered "Medicare-qualified government earnings." Those earnings give you credits for Medicare but do not count for Social Security benefits.

Estimating Your Benefits

How do you figure out the amount of my Social Security benefits?

It is the earnings on your records, not the amount of taxes you paid or the number of credits you have, that we use to figure how much you will get each month. The Social Security law has a special formula for figuring benefits. The formula uses your average earnings over your entire working life. For most retirement benefit estimates, we will be averaging your 35 best years of earnings. If you become disabled or die before retirement, we may use fewer years to figure those benefits.

For the retirement estimates, we assumed that you will continue working up to retirement age. We also assumed you would keep on earning the amount shown as "Estimated Annual Earnings 1995 On." If that still does not give you 35 years, we will use some zero years to figure your average earnings.

When I requested a statement like this several years ago, my retirement benefit was higher. What happened?

We now show benefit estimates in current dollars. If you requested a statement like this before September 1993, we had increased your retirement estimate amount on that statement by 1 percent for each remaining year up to age 62. This reflected expected economic growth. We stopped doing this to make your estimate more consistent with estimates prepared in other pension planning programs.

I worked for the government and so did my spouse. Will our government pensions affect our Social Security?

If your pension is based on work not covered by Social Security, the amount of your Social Security benefits may be lower than shown on this statement. This could include pensions from Federal, State or local governments, nonprofit organizations, or foreign entities. Your spouse's benefits on your record may also be affected by his or her pension. For more information, ask us for the free fact sheets "A Pension From Work Not Covered By Social Security" and "Government Pension Offset."

Retirement Benefits

When can I get retirement benefits?

You can get reduced benefits as early as age 62 or get full-retirement benefits at age 65. (Starting in the year 2000 for people born in 1938 or later, this age will increase gradually. By 2027, full-retirement age will be 67 for people born after 1959.) Your benefits may be higher if you delay retiring until after full-retirement age.

Disability Benefits

Tell me about disability benefits.

These benefits are paid if you become totally disabled before you reach full-retirement age. To get disability benefits, three things are necessary:

- You need a certain number of work credits, and they had to be earned during a specific period of time;
- You must have a physical or mental condition that has lasted, or is expected to last, at least 12 months or to end in your death; and
- Your disability must be severe enough to keep you from doing any substantial work, not just your last job.

Benefits for Your Family

If I retire or become disabled, can my family get benefits with me?

As you work, you also build up protection for your family. Benefits may be payable to:

- Your unmarried children under age 18 (under 19 if in high school) or any age if disabled before age 22; and
- Your spouse or divorced spouse at age 62 (reduced), at full-retirement age, or at any age if caring for your qualified child who is under 16 or disabled.

Usually, each family member qualifies for a monthly benefit that is up to 50 percent of your retirement or disability benefit, subject to the limit explained below.

What about my survivors if I die?

Here again, your unmarried young or disabled children may qualify for monthly payments. We also pay benefits to widows and widowers, starting:

- At age 50 if disabled;
- At age 60 (reduced);
- At full-retirement age; or
- At any age if your widow or widower is caring for your qualified child who is under age 16 or disabled.

Is there a limit on the benefits we can get each month?

Yes. There is a limit on the amount we can pay to you and your family altogether. This total depends on the amount of your benefit and the number of family members who also qualify. The total varies, but is generally equal to about 150 to 180 percent of your retirement benefit. (It may be less for disability benefits.) The family limit also applies to benefits for your survivors.

What if my spouse also worked long enough under Social Security to get benefits?

Your spouse cannot get both his or her own benefit plus a full benefit on your record. We can only pay an amount equal to the larger of the two benefits. Your spouse should call us and ask how to get a Personal Earnings and Benefit Estimate Statement like this. When you both have statements, we can help estimate your spouse's future benefits on the two records.

If You Continue to Work

What if I take my benefits and then want to work some more?

Even if you are still working, you may qualify for benefits. Until you reach age 70, there are limits on how much you can earn without losing some or all of your Social Security retirement benefits. These limits change every year. When you apply for benefits, we will tell you what the limits are at that time and if work would affect your monthly checks and those of your qualified family members.

What if my family members work?

Earnings limits also apply to family members who get any kind of benefits on your record. Their earnings only affect their own benefit payments, however, not yours.

Do these limits also apply if I get disability benefits?

No. Different rules apply to people who get disability benefits. The disability program has incentives to help beneficiaries return to productive work.

Chairman BUNNING. Thank you.

Let me start out by saying a 5-page document sent out by SSA is a little pretentious unless you are going to run for office nationally and you want your name in every household that receives anything from Social Security. Simplification of this statement, like the total amount of money you have contributed toward Social Security, is needed. But this mailing would confuse more people than it would help, resulting in more people calling the Social Security office or coming to the Social Security office unless they are totally and completely familiar with the Social Security system.

Have you been able to convince or have some input on a redesign of this personal earnings and benefit estimate statement?

Ms. EISENSTAT. Mr. Chairman, we briefed Social Security Administration officials in late August with our comments, all of which you have heard today.

They were receptive to our message. They, in fact, made the decision to modify the Commissioner's letter for the 1997 mailing after that briefing. The team that is, day to day, responsible for thinking about how they are going to approach redesign has asked that we meet with them and provide more detailed information. So, I believe they are open to our input.

Chairman BUNNING. Most people that come into our congressional offices are completely unaware of how much money they have contributed into the Social Security system, either the retirement program or the Medicare Program. They are amazed when they get one of these statements that shows that they have totally contributed, like \$7,000 or \$4,000 total.

Like my father, before he passed away, found out that he had contributed \$3,200 and had received back some \$200,000 prior to his decease. The amazing part about it is that most people think they have put in a lot more than they have. Some kind of a statement that shows what they have put in and what their potential benefits are would be, in my opinion, the correct approach, rather than trying to cover every bell and whistle. There ought to be a little block in here that says if you have any questions about how much you have contributed either to the retirement plan or to the Medicare, you ought to give your congressional office a call, rather than the Social Security office, for the simple reason that we are able to get it a lot quicker than getting it from the SSA.

Ms. EISENSTAT. The public has clearly stated that they like receiving this information.

Chairman BUNNING. I understand.

Ms. EISENSTAT. But they do not understand it right now.

Chairman BUNNING. That is right, and at age 62, 65, or 70, this information is very important, but why not give them what their normal benefits are? I mean, 65 is normal.

Ms. EISENSTAT. That is right.

Chairman BUNNING. Why do we estimate what their benefits are going to be at age 70? They may work the additional 5 years and increase their benefits and their quarters. I do not think Social Security knows what their benefits are going to be at age 70.

Ms. EISENSTAT. The feedback that SSA has gotten from focus group participants and individuals who have received the statement suggest that explanations were not clear or maybe they

would like some more information, and over time, the form has evolved to what they have today. And I think SSA lost sight of the impact of providing too much information.

Chairman BUNNING. I think it is great that SSA sends it, but it is confusing. I think everyone should get one, but it is detailed to the point of confusion.

Ms. EISENSTAT. We agree that it can be improved.

Chairman BUNNING. Mr. Jacobs.

Mr. JACOBS. No questions.

Chairman BUNNING. May I make a suggestion that we immediately go to the floor and vote and come back as quickly as possible because we have 10 minutes. We will recess until we get back from the floor.

[Recess.]

Chairman BUNNING. The Subcommittee will reconvene.

Let me just follow up on a couple of things on the statement. According to your testimony, it will cost about \$80 million in the year 2000 to send the PEBES to approximately 123 million workers.

Ms. EISENSTAT. That is correct.

Chairman BUNNING. If we redesign it, cut it back to a more reasonable statement, will that help lower the cost, if we do it quickly?

Ms. EISENSTAT. I do not know that a major redesign could be done quickly. I think that, first of all, SSA has already contracted for the mailings that are going to go out in 1997 and 1998. The soonest they would be able to do a major redesign would be for fiscal year 1999 mailings, largely due to the lead time required to contract something of this magnitude.

Chairman BUNNING. That is unacceptable. I am sorry. They are going to have to do it quicker because they are confusing more people with it than they are assisting.

Ms. EISENSTAT. They can—

Chairman BUNNING. And we think it is very important. We do not want to resort to legislation, but it can always come to that.

The way to solve the problem is to ask them to redesign it and to make it readable and understandable because everybody likes to get it, but it creates a lot of questions.

Ms. EISENSTAT. There are some changes that SSA can make now to clarify some of the explanations that people are finding confusing now, but anything major, we have learned in our discussions with them, would take longer to do.

Chairman BUNNING. Workers do not realize what the maximum taxable earnings are each year or the difference it makes. They want to know what was reported in taxes and what they have paid. That is important. They also want to know, what their benefits potentially will be at age 65, and the same thing with Medicare.

Since we have uncapped Medicare, it is hard to predict how much they are going to be paying in, and if we are going to actually salvage Medicare, we have got to figure out a way that we can—with the money available—continue to pay the benefits that we are paying.

So, what you are saying is not acceptable to me; that it is going to be 1999 before SSA can change PEBES. We will convey that to the Social Security Administration. Lead time should not be 3

years or 2 years. The contract will have to be altered because we want to make sure that the statement is available and effective, and what SSA has now is not either.

Ms. EISENSTAT. There are some things that SSA can be doing now to start testing reader comprehension and getting a much better handle on what an appropriate format would be and what level of information is necessary to satisfy the public. So, there is work that they can be doing now to improve the statement.

Chairman BUNNING. As Chairman of the Social Security Subcommittee, when I got my statement, I had a devil of a time getting through it and understanding exactly what it said. I want everybody to realize that they are not incompetent when they get their statement and they cannot understand it because the level of understanding that I have of Social Security is just a little bit higher than the average person out there. So, we really need some assistance from SSA on this matter.

Ms. EISENSTAT. We are going to be continuing to work with SSA. We have some additional work to complete for you on this matter.

Chairman BUNNING. OK. Mr. Jacobs, go ahead.

Mr. JACOBS. Well, I do not have any questions. Somebody just handed me the Private Industry Guide to Social Security for 1996, and I have not had a chance to read the whole thing. It has some nice pictures in it, but it runs to 47 pages. I realize these statements relate to a specific account, rather than a general overview, but I do think, Mr. Chairman, it is possible sometimes that we write things at 3 o'clock in the morning and they make more sense the next day to someone else.

My dad used to refer to work that he did as a judge when he wrote an opinion—he was an amateur carpenter, and he used to refer to it as sanding it down, and that is what happens. They say probably Ted Sorenson's—or Mr. Kennedy's phrase, "Ask not what your country can do for you," probably stemmed from constantly saying that they want this and they do not want to pay taxes. They probably kept sanding it until it got down. So, I think there was always room for improvement, conciseness, and clarity.

That is all I have to say.

Chairman BUNNING. Craig.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

The only thing I would say is if you do not accomplish anything in your whole career in this position, if you can get them to send out a simplified statement informing the American citizen what he or she has paid and what they are entitled to by way of some simple accurate information, you will have earned every nickel multiplied by a thousand in your wages, and it would be a great service to the American people if you can do that.

I know you will be more successful in additional areas than that. Let me brag a second. I have a law degree, and I look at this and it is wasted paper and wasted ink.

Thank you for your service.

Chairman BUNNING. Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

You made the statement that the Social Security Administration is open to your suggestions. Can you describe what that means?

What is the difference between open versus doing something about it?

Ms. EISENSTAT. We just met with SSA several weeks ago, and they left us with the impression in the course of that meeting that they understood what we had to say, thought we had some good ideas, and were going to consider them. In fact, since that meeting, SSA has made some changes and has asked us back to provide more detailed information.

So, I believe they are receptive to thinking about change.

Mr. JOHNSON. Does that mean that they do not have the ability to redesign those forms themselves? They have to lean on the GAO to do it for them?

Ms. EISENSTAT. I think that they are interested in improving the statements, and we have some information that we received from some design experts that we used. We hope to share that with them and hope that it will help them to improve the statement.

Mr. JOHNSON. Who did they use to design the form in the first place?

Ms. EISENSTAT. SSA has done this inhouse. They have done it on their own.

Mr. JOHNSON. Well, they did it through a bureaucratic process, which it shows.

Ms. EISENSTAT. Yes.

Mr. JOHNSON. When are you supposed to get those forms? What age group is getting them?

Ms. EISENSTAT. In 1995 individuals who were age 60 began to receive them.

Mr. JOHNSON. All individuals that are on the Social Security rolls?

Ms. EISENSTAT. Well, all those who were workers who were already at age 60 were to receive——

Mr. JOHNSON. In 1995.

Ms. EISENSTAT. In 1995.

Mr. JOHNSON. What timeframe was that?

Ms. EISENSTAT. Do you mean what time of year did they receive them? The mailing was staggered.

Mr. JOHNSON. Staggered by what process? Do they stagger over the whole year?

Ms. EISENSTAT. I will ask Cindy Fagnoni to——

Mr. JOHNSON. Well, wait 1 minute. If you guys or GAO are getting into this business and do not know how they are doing it, I cannot believe that you have gone into it in enough detail. Do you know that or don't you?

Ms. FAGNONI. They do not mail them all at one time. They stagger them.

Mr. JOHNSON. I understand that. How? What process do they use to stagger them?

Ms. FAGNONI. Well, they contract out for somebody to do the printing.

Mr. JOHNSON. So they cannot do it inhouse, and yet it requires x number of employees to do this and to process this, and yet they are contracting out. If they are contracting out, why do they need the employees in the SSA?

Ms. FAGNONI. Well, there are some upfront activities that are required for people at SSA to get the addresses from IRS, to identify the list of people to whom the statements will be sent, and to make sure, as best they can, that the earnings records they are printing are correct.

Mr. JOHNSON. And did you check the records? Do you know that they are processing everybody that is on the roles?

Ms. FAGNONI. That was not within the scope of this particular job.

Mr. JOHNSON. Well, how do you know how many they are doing then, and how many they are supposed to do, and how can you come up with a cost estimate if you do not know that?

Ms. FAGNONI. Well, the cost estimate that we cite is SSA's own cost estimate, and we have their figures that break down their estimate of what the production costs are and the personnel cost for the front-end and back-end efforts.

Mr. JOHNSON. The reason I am asking this question is because I never got one, and I was 65 in 1995. Now, when am I supposed to get one? Do you know the process? When am I supposed to get it?

Ms. FAGNONI. There is a schedule between 1995 and the year 2000 where SSA over time will be mailing out statements each year to individuals who turn 60. By the fiscal year 2000, every worker age 25 and over will receive one.

Mr. JOHNSON. Now, wait 1 minute. You told me at 65, everybody was getting one, and it was staggered throughout the year.

Ms. FAGNONI. At age 60. Only 60. I am sorry.

Mr. JOHNSON. Sixty.

Ms. FAGNONI. Right.

Mr. JOHNSON. And staggered over 1 year. Now you are telling me it is to the year 2000. What is right, and what is wrong?

Ms. FAGNONI. Beginning in the fiscal year 2000, SSA will begin sending these statements annually.

Mr. JOHNSON. OK. Disregard 2000. Tell me about right now.

Ms. FAGNONI. Right now they are sending statements each year to workers who turn 60 in that year.

Mr. JOHNSON. And what is the process for staggering those workers' forms? Do they do it A, B, C, D; A in January, B in February, and so forth? What is the process? What is the technical procedure that they use? Do you know? You do not know.

Ms. FAGNONI. I am sorry.

Mr. JOHNSON. OK, let me ask you another question, then. Why is the lead time so long on their contractual arrangements? Why do we have to go out 2 years ahead to produce something? Because we here in our office are elected for 2 years, and when we make mailings to 40,000 people in our districts, we can do it in 1 week. Now, tell me why they cannot do that.

Ms. EISENSTAT. SSA has been letting contracts in the spring of a year. For example, for a mailing that is going to go out in the year 2000, in the spring of 1999, they would have had to have let a contract.

Mr. JOHNSON. Well, get off of 2000, and tell me about next year.

Ms. EISENSTAT. They have already let the contract for—and have statements in hand that they will be using for the 1997 and 1998

mailings. They have committed to contractors to both print and distribute that information.

Mr. JOHNSON. How do you know who those people are 2 years ahead?

Ms. EISENSTAT. The people that should be receiving the statements?

Mr. JOHNSON. Yes.

Ms. EISENSTAT. SSA has the necessary information in its systems.

Mr. JOHNSON. They know who is going to go to work next year already?

Ms. EISENSTAT. Well, no. They have information in their system about the earnings for people who already have paid Social Security—

Mr. JOHNSON. But if somebody went to work in this year, they would not have them on that list, would they, if they had not worked before?

Ms. EISENSTAT. The people they are sending these statements to will have already paid into Social Security, I believe. So, if you went—

Mr. JOHNSON. So, it is not going to everybody that is working at 60 or has worked up to that date. It is only those who are qualified for SSA benefits. Is that true?

Ms. EISENSTAT. I am going to ask Ms. Fagnoni.

Ms. FAGNONI. It is anybody who had a work record.

Mr. JOHNSON. Whether they have qualified for benefits or not?

Ms. FAGNONI. Right, that is true. Yes.

Mr. JOHNSON. OK. Then my point is, how do you perceive 2 years ahead who is working and who is not working? If that is the criteria, I think their system is faulted, and you all did not discover that.

Ms. FAGNONI. Well, the 2-year contract is for the production and mailing of the documents, but the front-end activity that the Social Security workers will do each year to check the earnings records and compile the mailing list is something they would do inhouse and is not linked specifically with the contract.

Mr. JOHNSON. OK. When they contract out for these mailings, what do they do? Do they send a disk to those people and say this is what we want mailed, or do they have the contractor devise the system and come up with the people and the names?

Ms. FAGNONI. No. It is SSA which has to provide the list and the names to the contractor, yes.

Mr. JOHNSON. So all the contractor is doing is mailing?

Ms. FAGNONI. Printing. Printing and mailing, right.

Mr. JOHNSON. Printing and mailing.

Ms. FAGNONI. Yes.

Mr. JOHNSON. And you are telling me that has to be 2, 3, 4, 5 years ahead of time. That is baloney.

Ms. FAGNONI. Well, that is currently. SSA currently has chosen to have a 2-year contract.

Mr. JOHNSON. OK. So then, the SSA can back off and change contractual arrangement and change the form. You said they could not change the form.

Ms. EISENSTAT. If they want to change what they have already contracted for, there are, I am sure, in those contracts some penalty clauses.

Mr. JOHNSON. OK. That is what I wanted to hear you say.

Now, please tell me again—you said they were open to change. In your view, do they act like they are getting with the program, or are they just blowing smoke at you?

Ms. EISENSTAT. I believe that they are open to redesigning the statement.

Mr. JOHNSON. Are they going to do it?

Ms. EISENSTAT. I do not know precisely when they are going to do that.

Mr. JOHNSON. Are you all going to follow up on that?

Ms. EISENSTAT. We are going to be working with them, yes, further. We have additional work.

Mr. JOHNSON. OK. Can it be done on one page?

Ms. EISENSTAT. It can be done. I can show you an example of what the Canadian pension plan has done. They put on one page the earnings and benefit information. There is a little bit of explanatory information on the back. They have a separate brochure that contains the more detailed material.

Mr. JOHNSON. Do people write for that, or do they mail it to them automatically?

Ms. EISENSTAT. They do this automatically in Canada, but they do it every 3 to 4 years. This is not an annual mailing.

Mr. JOHNSON. Not every year.

Ms. EISENSTAT. That is right.

Mr. JOHNSON. That is interesting. Why didn't we go talk to them before we did our form? Did you ask them that?

Ms. FAGNONI. My understanding is that it was suggested that SSA speak with the Canadian Government because this was one model that was identified when the PEBES legislation was enacted, and I believe SSA may have had one discussion with Canadian officials, but it is our understanding that they did not solicit additional help.

We did meet with Canadian Government officials to understand a little bit more about their process.

Mr. JOHNSON. OK, but can we state unequivocally that it can be done on one form? You all would agree with that?

Ms. EISENSTAT. It can be done.

Mr. JOHNSON. And can we say that contractual arrangements with contractors do not have to hold to the form itself? They could have it done by the next cycle if they wanted to?

Ms. EISENSTAT. I do not know precisely how much time it would take to make a significant change, but assuming that they would break the contractual arrangements they have now, it is possible to make changes sooner.

Mr. JOHNSON. Good. Thank you very much. I appreciate your testimony.

Thank you, Mr. Chairman.

Chairman BUNNING. Is this an official document of the Social Security Administration?

Ms. EISENSTAT. I have seen the document. I am not sure.

Chairman BUNNING. It is a "Guide to Social Security and Medicare."

Ms. EISENSTAT. I do not believe that it is.

Chairman BUNNING. OK. This is a Mercer publication. No, that is not from SSA. I just wondered where it came from. It seems rather elaborate.

Thank you for your testimony.

Ms. EISENSTAT. Thank you.

Chairman BUNNING. We would like for the DDSs to give their testimony. Go ahead, GAO on the disability redesign testimony.

Ms. EISENSTAT. I would like to now turn my comments to the status of another important SSA initiative, efforts to redesign the disability claims process.

As you know, SSA operates two disability programs that provide cash benefits to people with disabilities, the Disability Insurance and the Supplemental Security Income Programs, DI and SSI.

While downsizing substantially, SSA has struggled to deal with unprecedented growth and applications for disability benefits and a number of appealed disability decisions.

Concerned about reducing administrative cost, saving time and improving the quality of service to claimants, SSA's leadership turned to reengineering in 1993. The objective of reengineering is to fundamentally rethink and radically redesign a business process from start to finish so that it becomes more efficient and significantly improves service to customers.

SSA's broad-based plan to be completed by 2000 is focused on streamlining the disability process by relying more on automation and making more efficient use of its work force.

Our work suggests that SSA has taken steps to improve this process and needs to continue with its efforts. However, its plan to undertake a large number of initiatives at one time is proving to be overly ambitious and complex.

Stakeholder support for the redesign effort is also diminished, in part, because employees fear losing their jobs.

The increasing duration of the overall project and individual initiatives also heightens the risk of disruption due to turnover in key executive positions.

The steps claimants go through in the current disability determination process have not changed in any significant way since the DI Program began in the fifties. The process is slow, labor intensive, and paper reliant.

In order to make the process more efficient, SSA will rely heavily on additional information technology. It will also develop a simpler method for making disability decisions.

Other key elements of the plan include combining the work of State and Federal offices into one position, allowing the claimant to meet with the decisionmaker, and creating a new adjudication officer to expedite decisionmaking at the appeals level.

The overall complexity and scope of SSA's implementation plan is limiting the progress of the redesign effort. Experts suggest that while a redesign project can be large and encompassing, organizations should segment projects, concentrating on a small number of manageable initiatives at any one time.

In prioritizing its redesign initiative, SSA chose to work on 38 of them simultaneously. Thousands of Federal, State, and contractor employees are being used throughout the country to design, test, and evaluate processes and training programs.

As of July 1996, it had not fully completed or implemented any of the 38 initiatives and is running behind schedule in meeting its testing milestones.

Moreover, SSA has had problems implementing some of the more complex initiatives. For example, SSA has undertaken a technology initiative to more fully automate the processing of disability claims. Today, completion of this key initiative is falling behind schedule, and software has been delayed by more than 2 years.

While organizations may undertake redesign projects that will take 2 to 5 years to complete, experts suggest that individual project initiatives should be completed quickly, generally taking no more than 12 months to implement.

A number of SSA's initiatives are beginning to expand in scope and become lengthy endeavors. To illustrate, the scope of SSA's initiative to achieve consistent adjudication results throughout all stages of the disability process has expanded. It started with a plan to develop a single policy manual for use by all SSA and State employees. It has evolved to also include conducting the same training for 14,000 decisionmakers, developing a consistent quality review process, and using medical and vocational expert input.

With this expansion of task, full implementation has been extended from September 1996 to January 1998, or later.

The cornerstone of any redesign effort is a commitment in long-term availability of its top leaders. Redesign initiatives may take many years to complete, and they may face increased risk that leadership change will occur. This is especially true in government where there are frequent changes in leadership and policy. SSA has already experienced turnover of key executives since implementation of redesign began.

SSA has tried to involve stakeholders in the redesign project by including them on project task teams and work groups. While its stakeholders are generally supportive of the need to redesign the process, it has encountered problems obtaining and sustaining support from some groups. We found that SSA's decision to create a position to adjudicate claims raised fears that some people would lose their jobs.

Furthermore, SSA's decision to temporarily promote Federal employees selected for the position to a higher pay grade raised major concerns for State employees who would be paid less for the same work.

In summary, SSA should be commended for initiating action to significantly improve its disability claims process and should continue its efforts. However, SSA has made limited progress. Many of its planned initiatives are behind schedule, and none are far enough along for us to know whether specific changes will achieve the desired results.

We are concerned that SSA has undertaken too many complex initiatives simultaneously. It should focus its efforts first on a smaller number of initiatives and place emphasis on those that will

have the greatest impact on decreasing administrative cost and processing time and improving service to the public.

SSA should reevaluate the relative priority of the remaining initiatives to the redesign goal and implement them as resources permit.

That concludes my remarks. We will be happy to answer any questions from you and other Members of the Subcommittee.

Chairman BUNNING. Who wants to speak first?

STATEMENT OF DOUGLAS WILLMAN, PRESIDENT-ELECT, NATIONAL COUNCIL OF DISABILITY DETERMINATION DIRECTORS; AND JERRY A. THOMAS, PRESIDENT, NATIONAL COUNCIL OF DISABILITY DETERMINATION DIRECTORS

Mr. WILLMAN. I will do that, Mr. Chairman.

Chairman BUNNING. OK.

Mr. WILLMAN. On behalf of our organization, thank you for the opportunity to appear here today and present our views regarding SSA's plan to redesign the program.

Mr. Chairman, in your invitation, you asked that we comment on SSA's redesign initiative and make suggestions for improvement, and we are pleased to do so.

First, regarding the report of the Comptroller General on this subject on July 25, we generally agree with the report, except for the observation that the process is nearly unchanged since the program began in the fifties. This misconception was first stated by SSA's original reengineering task team and has gone unchallenged, but the reality is that the program has undergone steady and constant adaptation and presently bears little resemblance to what it was in the fifties, and we regret not having commented to GAO earlier on this matter.

We especially agree with the Comptroller General's observation that SSA has undertaken too many complex initiatives simultaneously and has not given sufficient priority to those most likely to reduce processing time and administrative costs.

You asked for our views on SSA's disability redesign initiative, and there are three aspects in which we would like to comment.

First, we feel that the majority of the redesign initiative seemed to us not to be useful in accomplishing the stated goals of redesign. While we certainly agree with Commissioner Chater's five stated goals, we just do not see much relationship between those goals and the process changes that SSA says it plans to implement.

The proposed changes seem to us to be unreasonably disruptive and more labor intensive and more complex and much more costly than the existing process while offering no realistic or sensible path toward better, faster, or more economical case processing. Examples include SSA's proposal for creating the position of disability claims manager and for further fragmenting the current process by having some cases decided at Social Security field offices. These initiatives, in our view, would be expensive and disruptive, while contributing little or nothing to improve public service.

Second, we are concerned that some aspects of SSA's redesign plan will make the program more vulnerable to fraud. For example, the acceptance of treating physician certification and transferring responsibility for collection of medical evidence from unbiased em-

ployees to claimants and their representatives are almost certain to increase vulnerability to fraud.

Third, we, like GAO, are concerned that by attempting to move forward on so many fronts at once, SSA will sacrifice progress toward solving what we see as the most important task, and that is bringing reasonable consistency to the decisionmaking processes and outcomes between State DDSs and the SSA Office of Hearings and Appeals.

We strongly believe that variance and decisionmaking between the two levels is by far the most serious problem in the disability program. When twice denied cases are appealed to OHA, about 75 percent of them are reversed from denial to allowance.

Now, our employees know that they would not be permitted to allow the same kinds of cases that they see allowed on appeal. Every day we deny benefits to persons whom we are quite sure will be allowed if they just appeal their denials to OHA, hire a lawyer, and then wait more than 1 year for an appeals-level decision.

This underlying problem and its day-to-day effect on the lives of ordinary Americans overwhelms all other problems facing the disability program. Something is seriously wrong with this system and urgent and energetic management attention is needed.

After a long history of failing to address this problem, SSA seems at last to be taking some positive steps under a project called Process Unification. We support this effort, but point out that it must be regarded as only one small step toward unifying two almost unbelievably disparate processes. Much more needs to be done, and we are concerned that attempting redesign activities in so many areas at once will result in the depletion of resources, such that there will be inadequate attention to the central problem.

Finally, you asked for suggestions on how we feel the initiative could be improved. We offer two suggestions. First, we believe that resolving the differences between the two levels if the most important objective, and therefore, we recommend that all available redesign resources be focused on this part of the redesign plan.

Given SSA's long history of profound reluctance to address this problem, SSA may well need the continuing attention of you and your Subcommittee to make sure that attention is focused and progress is made in this area.

Second, we feel that SSA should move forward with large-scale implementation only of those changes which can be shown through careful testing to have short-term beneficial impacts on accuracy, processing time, administrative costs, or other aspects of public service.

Mr. Chairman, Members of the Subcommittee, thank you again for the opportunity to appear here today and to present our views.

[The prepared statement follows:]

TESTIMONY OF
 JERRY THOMAS, PRESIDENT
 AND
 DOUGLAS WILLMAN, PRESIDENT-ELECT
 NATIONAL COUNCIL OF DISABILITY DETERMINATIONS DIRECTORS
 BEFORE THE SUBCOMMITTEE ON SOCIAL SECURITY
 COMMITTEE ON WAYS AND MEANS
 UNITED STATES HOUSE OF REPRESENTATIVES
 REGARDING IMPROVING THE PERFORMANCE OF SOCIAL SECURITY
 AS AN INDEPENDENT AGENCY

SEPTEMBER 12, 1996

Chairman Bunning and members of the sub-committee, on behalf of the members of the NCDDD, thank you for the opportunity to appear here today to present our views regarding SSA's efforts to redesign the disability program.

The NCDDD is a professional organization of the directors and other management staff of the state Disability Determination Services agencies. The DDSs participate in the disability program by making the initial determinations of eligibility for disability benefits. We appear here today experiencing great concern about the future of the disability program, the declining image of the program in the eyes of the public, and the solvency of the disability trust fund. We desire a program that produces correct and consistent determinations of eligibility, that makes these determinations in the shortest possible time, and that operates at the least reasonable cost to the tax payer. By "correct" decisions, we mean that benefits are received by persons who are unable to work because of a medical impairment. By "consistent" decisions, we mean that decision making should not substantially vary from state to state or between the initial and appellate levels of determination. We know that the current process can be and must be improved in terms of its ability to achieve these objectives. We want to work with SSA, with other representatives of the DDS community and with Congress to increase the accuracy of the process, to reduce processing time, and to control costs.

Mr. Chairman, in your invitation to us to appear here today, you asked that we comment on three matters -- the testimony of the Comptroller General on July 25 regarding SSA's redesign initiative, our own assessment of the redesign initiative, and suggestions for improving redesign. We are pleased to provide the following comments.

FIRST, regarding the report of the Comptroller General dated July 25, 1996, we agree with all aspects of the report except one. The report described the disability determination process as being labor-intensive, paper-reliant, and *nearly unchanged since the program began in the 1950's*. This is a misconception which was first stated by the task team that SSA convened in October of 1993 to devise a plan for a reengineered program. For a team charged with radically redesigning the program, stating that there had been no real change for forty years was a useful piece of fiction. But the reality is that the program has undergone constant incremental change and adaptation as required by changes in the law, SSA policy, the demographics of the population seeking benefits, office technology, and the practice of medicine. The strategies used to collect medical evidence, the type and amount of evidence collected, and the methods for analyzing the evidence in comparison with program standards are just a few examples of the ways in which the process has changed over the past few decades. Indeed, SSA officials, as late as 1992, commented that there had been so much change in the disability program that what was needed most in the DDSs was a period of stability to absorb all the changes and to incorporate them into the routine. As individuals who have been employed in the program for more than twenty years, we can assure you that an employee who departed a DDS in, say, 1980, would notice substantial improvements if he or she were to return to a DDS today. We regret not having informed the GAO of the misconception stated by SSA in the original reengineering plan and thus having contributed to the appearance of what we regard as an inaccurate statement in the Comptroller General's report.

We agree with all other aspects of the Comptroller General's report, especially his observation that "SSA has undertaken too many complex tasks (simultaneously) and has not given sufficient priority to initiatives most likely to reduce processing times and administrative costs".

SECOND, you asked for comments on our views of SSA's disability redesign initiative. There are three areas on which we would like to comment.

- 1) **Many of SSA's proposed process changes seem unlikely to result in any significant program improvement.** While we certainly agree with Commissioner Chater's five stated objectives, we generally see little relationship between the objectives and the specific process changes that SSA says it intends to implement. The proposed changes seem to us to be generally more labor intensive, more complex, and much more costly than the existing process while offering no realistic promise of better decision making or faster case processing. We believe that the combination of the objectives and the specific process changes comprise an excellent intended destination but a route that not only won't take the program there but will take it to a less desired destination than where it is now.

As just one illustration of this point, we offer the example of SSA's proposal for creating the position of the Disability Claims Manager (DCM).

The DCM would be created by combining duties presently performed by SSA Claims Representatives (CRs) in the field offices and Disability Examiners (DEs) in the DDSs. Under the present process, CRs conduct the intake interviews and handle all the non-medical aspects of claims processing, and DEs compile a medical record for each case, analyze the facts in each case in comparison with the requirements of the law, and, with the help of physicians and psychologists, make the determinations of eligibility. These are very difficult jobs, and they require entirely different skills and interests. CRs must be able to deal face-to-face with the public while DEs must possess analytical skills. The proposal to combine these two positions into one presumes that enough workers can be found who possess these two disparate types of skills. Our management experience in the disability program has taught us that most individuals have strong personal preferences for a narrower range of tasks. Those who enjoy the public contact involved in claims taking and interviewing seldom also enjoy the isolative nature of performing a careful individualized analysis of a difficult case. Under the present process, the presence of one skill or the other enables an individual to work successfully in the program. But with DCM the absence of one of the skills would disable an individual from successful work. Thus, the DCM initiative accomplishes exactly the opposite of what should be our intention in job design. It introduces needless complexity and narrows the proportion of individuals in the available work force who can perform the work well.

Further, each job has a substantial front end training period (three or four months) before any significant work is performed and each is estimated to require from one to two years experience before the worker is reasonably proficient. Combining the jobs approximately doubles the amount of training time required for each employee before they become productive thereby substantially increasing case processing costs. And this increase in down time due to training does not end with initial training. Presently, if a program change affects only benefit computation, then only the CRs are trained in this change, and if another change affects only medical policy, then only the DEs are trained. But if the two positions are combined into one, every employee must be trained in every change thereby doubling the ongoing and long term training costs.

When the DCM concept was first announced, the obvious problems were very well explained to SSA by all field components including NCDDD, NADE, and SSA's own front line workers. SSA attempted to deflect reservations about the ability of one person to handle such a broad range of tasks by asserting that a complex system of "enablers" would be developed. The enablers included a state of the art computer system, a simplified methodology for eligibility determinations, a vastly improved relationship with the medical community, transfer of responsibility for collection of evidence to claimants and their representatives, and other improvements. Pending development of the enablers, SSA proposed that DCM be preceded by arrangements in which CRs and DEs would work in teams to determine if closer cooperation would result in improved service.

NCDDD endorsed this teaming concept and acknowledged that the DCM position would be more realistic in the presence of this future system of enablers. At that time, we also expressed concern that SSA might attempt to forge ahead with the DCM concept prematurely (that is, without developing the enablers) and that this could lead to a deterioration in public service. In November of 1995, we were disappointed to learn that this is exactly the path which SSA then resolved to take. In an initiative known as the Accelerated DCM Project, SSA negotiated a Memorandum of Understanding with its principle union calling for the creation of at least 1500 such positions (half each at the state and federal level) at a salary grade of GS-12 for the federal employees. In our view, the creation of 1500 positions (about 25% of the positions currently utilized to make the eligibility determinations) for a completely untested concept of very dubious practicality was an example of dangerous adventuring that would have exposed the disability program to substantial and needless risk. Using the authority delegated to the states under Section 221 of the Social Security Act, the NCDDD declined to accept the proposal to transfer state work sufficient in scope to occupy 1500 DCMs. We proposed instead that the concept be tested with only 120 participants. According to SSA's estimates, this would have reduced the cost of the test from \$23.7 million to \$1.7 million. Apart from the dollars, a test of the narrow scope we proposed would not have taken nearly so many employees out of productive work for the elongated training period necessary to learn DCM skills. Eventually, we were successful in changing the number of DCM positions to be tested from "at least 1500" as originally negotiated between SSA and AFGE to 290. Even 290 is well beyond the number recommended by SSA's Office of Program Integrity Review and Office of Workforce Analysis as the minimum needed to determine the viability of the position.

Even though we have agreed to a scaled down test of the accelerated DCM, we would prefer that SSA return to the original quite sensible path toward the DCM (begin with teaming, then develop the enablers, then test the DCM). SSA has been unable to demonstrate to our satisfaction any reasonable basis for concluding that, under the accelerated DCM, decisions would be made more accurately or that processing time would decrease. There is excellent reason to believe that the opposite will happen. Further, the accelerated testing, in the absence of the enablers, will not even answer the key question --- "is the DCM a viable position?"

And there is one other very troubling aspect about the concept of the DCM. When discussing the problems associated with developing the position, SSA officials have often sought to terminate the deliberations by stating that the position must be developed because it is what the public wants. Ostensibly, this public mandate was communicated to the original reengineering work group during focus group meetings and field interviews. However, any evidence that the public ever delivered a clear and consistent message on this topic is strangely absent. We have been informed that much of the record of the focus groups has been destroyed. The records that we have been able to obtain simply do not include any basis for concluding that the 'single point of contact' was ever really demanded by the public representatives. Perhaps SSA should be asked to clarify and reconfirm that it correctly interpreted the public expression before it proceeds with the DCM test of the accelerated DCM.

We offer the illustration of the DCM initiative as an example of a recurring phenomenon in redesign --- SSA proposes costly, disruptive, and labor intensive changes which seem unrelated to program improvement in general and to the Commissioner's five stated objectives in particular. So many of the redesign process changes seem to be different, but not better. We want change that can be related to improved service either for the claimant or for the tax payer and hopefully for both. We don't see that this is the case.

- 2) **We also are concerned that some aspects of SSA's redesign plan will make the program more vulnerable to fraud.** SSA has historically been reluctant to recognize the extent to which the disability program is abused by persons and organized groups of persons who are not truly unable to work. Some aspects of the redesign plan will make the program even more vulnerable to fraud and abuse. The first is the acceptance of a treating physician's certification of diagnostic and functional assessment information

without requiring supporting details. Day to day experience in case development reveals numerous instances in which summary reports by treating physicians describe a level of severity clearly beyond that which is evident when detailed records are obtained. This phenomenon will become more common when the applicant public learns that SSA will pay benefits based on a physician's statement. Just as the local public has learned which physicians are most apt to prescribe desired pharmaceuticals, they will soon learn which physicians are most cooperative in providing disability certifications. "Doctor shopping" will become commonplace. Similarly, transferring responsibility for collection of medical evidence from unbiased employees to claimants and their representatives will also increase vulnerability to fraud. The interested parties will be able to selectively present evidence which supports a finding of disability and to suppress that which would support denial. They will be able to "preview" reports from treating sources and to attempt to engineer amendments of the content such reports in order to present a stronger case for being awarded benefits.

- 3) **We are concerned that by attempting to move forward on so many fronts simultaneously, SSA will sacrifice progress toward solving what we see as its most important task -- bringing reasonable consistency to the decision making processes and outcomes between the state DDSs and the SSA Office of Hearings and Appeals (OHA).**

We believe that variance in decision making between the two levels is by far the most serious problem in the disability program. Without asserting which component is "right", the facts are as follows: DDSs process initial and reconsideration level decisions on average in about 70 days at a cost of about \$300 per case. According to SSA quality reviews, DDS claims have a decisional accuracy of about 97%. However, when about 70% of the reconsideration denial cases are appealed to OHA, the appeals are, on average, not completed for over a year, the administrative cost per case is in the neighborhood of \$1000, and about 75% of the cases are allowed. When these OHA allowed cases are returned to the DDSs for continuing disability review, our employees know that they could not possibly have allowed the cases on the same facts. We encounter this evidence of differing standards on a daily basis. Similarly, every day, we, at the DDSs, deny disability benefits to persons whom we are quite sure will be allowed if they appeal their denials to OHA, hire a lawyer, and wait more than a year for an appeals level decision. Something is seriously wrong with such a system, and urgent and energetic management attention is needed.

After a long history of failing to address this problem, SSA seems, at last, to be taking some positive steps under a project known as process unification. The first step under process unification consists of a set of rulings by the Commissioner and an ambitious attempt to train adjudicators at all levels in the application of these rulings. We applaud this training effort, but point out that this must be regarded as only the first small step toward unifying two almost unbelievably disparate processes. Much more needs to be done, and we are concerned that attempting redesign activities in so many areas at once will result in the depletion of resources such that there will be inadequate attention to the central problem. For example, a key obstacle in bringing the two processes together is the question of reviewing the cases completed by the Administrative Law Judges to determine if they have applied the policies correctly and enforcing corrective action on cases found to be in error. Without a means of enforcement, all other actions will be ineffective. Yet SSA plans to review only about 10,000 OHA cases per year which, on average, is only about one case per individual ALJ per month. This number is not high enough to provide meaningful feedback to ALJs nor to establish useful enforcement in cases in which ALJs are not correctly applying agency policy.

THIRD, you asked for suggestions as to how the redesign initiative could be improved. We present suggestions in three areas.

- 1) As stated above, we believe that resolving the differences between the two levels of adjudication is the most important initiative. The underlying problem and its day to day effect on the lives of ordinary Americans overwhelms all other problems facing the disability program. Therefore, we recommend that all available redesign resources be focused on this part of the redesign plan. We believe that if process unification succeeds in bringing reasonable consistency to the program and if all other aspects of redesign prove ineffective, redesign will be seen as a success. Conversely, if all other aspects work, but the two levels of decision making continue to produce such disparate results, then redesign will be seen by the American public as having failed. Therefore, we feel that SSA should unequivocally designate process unification as the number one redesign priority and devote to it all the resources necessary to produce the best possible results in the shortest realistic time. Only those resources that are not necessary for effective process unification should be applied elsewhere. Given the long SSA history of profound reluctance to address this problem, SSA may well need the continuing attention of your committee to assure continued emphasis and progress in this area.
- 2) SSA should move forward with large scale implementation only of those changes which can be shown to have short term beneficial impacts on accuracy, processing time, administrative costs, or other aspects of public service. Until the efficacy of process changes can be proven through the use of carefully observed small scale pilots, large scale implementation places the program at needless risk.
- 3) SSA should successfully develop the several "enablers" identified in the redesign plan before attempting to implement the concept of the DCM on any level other than the smallest pilot that will produce useful data. A moratorium should be placed against the creation of any additional DCM positions until the efficacy of the position is established by the performance of DCMs in the pilot.

Mr. Chairman, and members of the committee, thank you again for the opportunity to appear here today to present our views on SSA's attempts to redesign the disability program.

**STATEMENT OF LARRY DEVANTIER, PRESIDENT, NATIONAL
ASSOCIATION OF DISABILITY EXAMINERS**

Mr. DEVANTIER. Chairman Bunning and Members of the Subcommittee, on behalf of myself and the board of directors and members of the National Association of Disability Examiners, we thank you for this opportunity to present NADE's views on the Social Security Administration's plan to redesign the disability program.

We are concerned about the future of the disability program and the integrity of the trust fund. We believe disability decisions should be timely, accurate, and uniform throughout the country. We agree that the current disability program is flawed.

We have supported efforts to correct problems in the past and will continue to do so in the future. We do not believe we can continue business as usual. However, we have serious reservations about SSA's current plan to redesign the disability program.

On July 25, 1996, the testimony of the Comptroller General addresses a number of our concerns. These will be discussed later.

Our fundamental concern, however, is the increasing confirmation of our earlier reservations that SSA's efforts at reengineering are structurally flawed. They do not adequately address the most basic problem with the current process which is the discrepancy between DDS and ALJ, administrative law judge, decisions.

Process unification efforts provide a clear example of this, despite the increasing discrepancy between State agency decisions which are judged by SSA quality review components to be correct and the unacceptably high reversal rates of those decisions by the Office of Hearings and Appeals. SSA's response has been to provide superficial cross-component training and to promise a single source of policy, while leaving the conflicting premises which produce this disparity largely undisturbed.

The critical element in unifying the process is a decisive resolution of the ambiguity within SSA as to whether disability is a medical or a legal decision. SSA must have the organizational will to resolve this ambiguity. To date, it has not been willing to do so.

Even if the plan itself were not structurally flawed, other issues need to be addressed. Fraud, the integrity of the program, and the stability of the trust funds are among the most significant of those issues which need to be resolved.

The GAO report states that SSA has not done enough to combat fraud and abuse in the SSI Program and address program weaknesses. We agree.

Many features of the redesign plan, particularly the increased involvement of for-profit third parties and claimant-submitted medical evidence will increase the incidence of fraud. Effective actions must be in place to combat fraud before proceeding further with these initiatives.

We also agree with GAO's assessment that SSA has undertaken too many complex tasks and has not given sufficient priority to those redesign initiatives most likely to reduce processing time and administrative cost. SSA has begun a multitude of initiatives under the redesign that are sapping needed resources. The disability program would have been better served by placing greater emphasis

on initiatives that would assist in reducing the current workload, as well as testing and implementing the new redesign process.

If ultimately one person, the DCM, or the disability claims manager, is to be responsible for both the technical and the medical decision, the single decisionmaker model currently being tested should have been extensively and objectively evaluated to determine the viability of this concept and the impact on the program cost before the DCM concept is piloted.

Instead, SSA has chosen to accelerate the process and pilot the DCM concept without having the results of this study or essential enablers in place.

For example, process unification was described in the plan for a new disability claims process as a key enabler. NADE considers it to be essential, both in the current process and to the redesign effort. Yet, success in achieving this goal has not been demonstrated, and it does not appear to be one of SSA's top priorities.

We do not agree with the GAO statement that the labor-intensive paper-reliant process has changed little since the DI Program began in the fifties. In fact, extensive changes in the process have occurred, including markedly increased document requirements mandated by Congress and the courts. These will not change under phase one of the redesign effort, and the new process involving the disability claims manager will be at least, if not more, labor intensive than the current process.

Further, it should be noted that despite multiple changes in the disability program and the evaluation processes, the DDSs have demonstrated remarkable capability to meet the challenges they face. Much of this has been due to the expertise of the DDS staff. We are, therefore, concerned that as the case processing pressures increase, training and intercomponent communication are too often relegated to the role of nonessential. Yet, training is an integral part of the redesign disability process. Under the redesign plan, SSA will make an investment in comprehensive employee training to ensure that all employees have the necessary knowledge and skills to perform the duties of their positions.

In addition to initial program training, continuing education opportunities will be made available to employees to enhance current performance or career development. However, in reality, training and intercomponent communication are always the first things cut when workloads increase or funding is reduced. Much of the impetus for reengineering, the perception that disability adjudication is a fragmented process is a result of earlier downsizing which reduced interaction and communication between the field offices and the State DDSs.

Few DDSs provide continuing, ongoing training, and even initial training is often curtailed in periods of high case receipts. Examiners attending training provided by NADE must frequently use personal leave time in order to do so, and even that option is sometimes denied when workloads increase.

Training and communication are necessary if we are to maintain and improve the current process. They are essential to the redesign effort. Regrettably, there is nothing to assure us that they will receive the appropriate support in the future. Past practices indicate they will not.

Again, thank you for providing us this opportunity to testify.
[The prepared statement follows:]

STATEMENT
OF
THE NATIONAL ASSOCIATION OF DISABILITY EXAMINERS

PRESENTED
BEFORE THE

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY

By
Larry DeVantier, President

September 12, 1996

Chairman Bunning and members of the Sub-Committee, on behalf of myself, the Board of Directors and the members of the National Association of Disability Examiners (NADE) thank you for this opportunity to present NADE's views on the Social Security Administration's Plan to Redesign the Disability Program.

As you know, NADE is a professional association whose membership includes the disability examiners in the State Disability Determination Service agencies (DDSs) who make initial and reconsideration decisions and conduct continuing disability reviews. Our membership also includes physicians, attorneys, Administrative Law Judges, advocates and others interested in the disability program. We are concerned about the future of the disability program and the integrity of the Trust Fund. We believe disability decisions should be timely, accurate and uniform throughout the country. We agree that the current disability program is flawed. We have supported efforts to correct problems in the past and will continue to do so in the future. We do not believe we can continue "business as usual." However, we have serious reservations about SSA's current Plan to Redesign the Disability Program.

The July 25, 1996 testimony of the Comptroller General addresses a number of our concerns. These will be discussed later. Our fundamental concern, however, is the increasing confirmation of our earlier reservations that SSA's efforts at reengineering are structurally flawed. They do not adequately address the most basic problem with the current process--the discrepancy between DDS and ALJ decisions. Process Unification efforts provide a clear example of this. Despite the increasing discrepancy between State Agency decisions, which are judged by SSA's quality review components to be correct, and the unacceptably high reversal rate of those decisions by the Office of Hearings and Appeals (OHA), SSA's response has been to provide superficial, cross-component training and to promise a single source of policy while leaving the conflicting premises which produce this disparity largely undisturbed. *The critical element in unifying the processes is a decisive resolution of the ambiguity within SSA as to whether disability is a medical or a legal decision.* SSA must have the organizational will to resolve this ambiguity. To date it has not been willing to do so.

Even if the Plan itself were not structurally flawed other issues need to be addressed. Fraud, the integrity of the program and the stability of the Trust Fund are among the most significant of those issues which need to be resolved. The GAO report notes that "...SSA has not done enough to combat fraud and abuse in the SSI program and address program weaknesses." We agree. Many features of the Redesign Plan, particularly the increased involvement of for profit third parties and claimant submitted medical evidence, will increase the incidence of fraud. Effective actions must be in place to combat fraud before proceeding further with these initiatives.

We also agree with the GAO's assessment that "...SSA has undertaken too many complex tasks and has not given sufficient priority to those redesign initiatives most likely to reduce processing times and administrative costs." SSA has begun a multitude of initiatives under Redesign that are sapping needed resources. The disability program would have been better served by placing greater emphasis on initiatives that would assist in reducing the current workload as well as testing and implementing the new Redesigned process. If ultimately one person, the Disability

Claim Manager (DCM), is to be responsible for both the technical and the medical decision the single decision maker model currently being tested should have been extensively and objectively evaluated to determine the viability of this concept *and* the impact on program costs before the DCM concept is piloted. Instead, SSA has chosen to accelerate the process and pilot the DCM concept without having the results of this study or essential enablers in place. For example, Process Unification was described in the "Plan for a New Disability Claim Process" as a key enabler. NADE considers it to be essential, both to the current process and to the Redesign effort, yet success in achieving this goal has not been demonstrated and it does not appear to be one of SSA's top priorities.

We do not agree with the GAO's statement that, "This labor-intensive and paper-reliant process has changed little since the DI program began in the 1950's." In fact, extensive changes in the process have occurred, including markedly increased documentation requirements mandated by Congress and by the courts. These will not change under Phase I of the Redesign effort, and the new process involving the Disability Claim Manager will be at least, *if not more*, labor intensive than the current process.

Further, it should be noted that despite multiple changes in the disability program and in the evaluation process the DDSs have demonstrated a remarkable capacity to meet the challenges they have faced. Much of this has been due to the expertise of the DDS staff. We are, therefore, concerned that as case processing pressures increase, training and intercomponent communication are too often relegated to the role of "non-essential." Yet training is an integral part of the Redesigned Disability Process. The "Plan for a New Disability Claim Process" states, "SSA will make an investment in comprehensive employee training to ensure that all employees have the necessary knowledge and skills to perform the duties of their positions....In addition to initial program training, continuing education opportunities will be made available to employees to enhance current performance or career development." However, in reality, training and intercomponent communication are always among the first things cut when workloads increase or funding is reduced. *Much of the impetus for Reengineering--the perception that disability adjudication is a fragmented process--is a result of earlier "downsizing" which reduced interaction and communication between the Field Offices and the state DDSs.* Few DDSs provide continuing, on-going training and even initial training is often curtailed in times of high case receipts. Examiners attending training provided by NADE must frequently use personal leave time in order to do so and even that option is sometimes denied when workloads increase. Training and communication are necessary if we are to maintain and improve the current process. They are *essential* to the Redesign effort. Regrettably, there is nothing to assure that they will receive appropriate support in the future. Past practice indicates that they will not.

Again, thank you for providing us this opportunity to testify.

Chairman BUNNING. Let me start with Ms. Eisenstat.

I know your staff is separately auditing the plan to create the disability claims manager position. Would you please elaborate specifically on the two positions that will be merged into this new position. Also, what is your assessment of SSA's plan to test the feasibility of this new position? And finally, what has been the reaction of those who have the most at stake if this position is established?

Ms. EISENSTAT. The disability claims manager position envisions combining the duties and responsibilities that are currently performed by claims representatives and disability examiners. SSA is taking two functions and placing responsibility for them with one person.

Our latest information from SSA is that they plan to begin testing the DCM concept in January 1997. However, you have just heard that the full position will not be tested, all of the necessary enablers will not be in place, and that SSA has not completed the design of some aspects of the revised process.

Nevertheless, SSA will be in a position to test a few components of the DCM position. We believe SSA may learn something about the feasibility of the work force to perform combined duties. They may also learn something about the training needs that might be required for the position.

There are also concerns about security issues for workers. Some workers, for the first time, will be dealing face to face with claimants, and I think SSA may be in a position to learn something about that from a limited test.

SSA is also currently testing other initiatives that are related to the DCM. SSA refers to them as teaming and sequential interviewing.

Chairman BUNNING. "Teaming" meaning what?

Ms. EISENSTAT. Teaming meaning that you have the claims representatives and the disability examiners in their current positions working more closely together to determine whether they can improve the process.

Since these tests are underway, we are suggesting that SSA systematically gather information from them and compare test results before moving forward. More specifically, this analysis should be used to help decide a final course of action about whether to proceed with the DCM position or some other alternatives.

Chairman BUNNING. Would either of you gentlemen like to comment?

Mr. WILLMAN. Yes, I would. The two positions that would be combined together to create a DCM, each are very difficult, technical, highly skilled positions, and they involve the possession of different kinds of skills.

The training period for each position is about 3 months up front before any work is done, and for each position, we feel that it takes 1 to 2 years for an individual to become fully proficient.

By doubling the training time, it seems to me that we really take down the efficiency of the process. As it is, with disability examiners, if a fully trained examiner terminates employment in 18 months, it was probably not cost effective for us to have ever had

that person on hand in the first place. Under DCM, that time will double.

Also, we are very concerned that we will not be able to find enough people who simultaneously have the public contact skills required in the field office and the case analysis skills required in the DDS.

At present, an individual could make a useful contribution to the program if he or she possesses one of those skills, but under the DCM concept, the individual will fail if he or she lacks either of those skills.

Chairman BUNNING. Are we trying to protect somebody's job, or are we trying to change the system to make it work better? I am leery of someone who has created the problem over a period of time being those who are trying to solve the problem on a large-scale view.

If I were going to try to change three different areas rather than 38, the results would be much more positive. But, if I am going to upscale and try to change the whole system of 38 different areas, I am going to fail. I am not saying that the SSA is going to fail on all 38, but they may not do as good a job.

First of all, this is the initial claims process we are talking about. These are the people that are coming into the system and why we have a 13-month backlog. The DDCs make a decision and eventually if they go through the whole process, the ALJs will reverse three-quarters of the initial decisions.

So, if I am a claimant, I am going to ride the train.

Mr. WILLMAN. Exactly.

Chairman BUNNING. Until we get a body of evidence that can be judged and not altered in the decisionmaking process until the end, we will never have a real handle on this problem.

What we start with is what we ought to end up with in this decisionmaking process. You should not be able to add evidence 4, 6, or 8 months down the road, whether it be medical or legal. Until we write, and I am afraid we are going to have to write legislation if we are going to solve this problem, we are going to have discrepancies between DDSs and ALJs.

Mr. WILLMAN. I agree with all of that.

Chairman BUNNING. I am glad the Social Security Administration is trying to solve 38 different programs, but it seems to me that the redesign effort gets bogged down in its massive attempt to do too many things.

Is that generally GAO's approach and view of this?

Ms. EISENSTAT. Our view is that SSA has taken on too many things at once and that they need to focus their efforts at this point on those initiatives that are more likely to reduce administrative cost and case processing time.

Chairman BUNNING. There are two major problems that I have seen in my time on this Subcommittee. They are the entry level and the exit level of the process. In other words, the claimant coming in and the continuing disability reviews to get them out the door. If they are back to normal, that is the reason we do the CDR. Do we spend \$2.3 billion on CDRs? I mean, that is a lot of money. I think it is around that number.

Ms. EISENSTAT. Yes.

Chairman BUNNING. The continuing disability reviews and the money that we have allocated for that purpose may get one of the problems solved. But it does not get the initial problem solved for the incoming.

Ms. EISENSTAT. And this process is targeting that initial level. You are right.

Chairman BUNNING. But, I am afraid if we are going to start experimenting with things before we have a total concept of what we are trying to do, we are not going to accomplish what we set out to do. To get it done, get the claimant in the system if they deserve to be in the system, and have them totally and completely respect the decisionmaking process. Right now a claimant knows the process can be reversed.

In my own district offices, that is one of the biggest problems I have. Constituents call saying, I was turned down before, but now I am going through the process, I want to know what happened. If they know there is not a turnaround of a decision at the end of 14 months, we may solve that problem.

Mr. Laughlin, do you have some questions?

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Ms. Eisenstat, in your written testimony, you talk about the November 1994 SSA announcement where they are going to implement a redesign plan with 83 initiatives to be implemented over a 6-year period of time, but with 38 of those initiatives to be completed that are to be part of an operational test by September 30 of this year, which is 18 days from now.

Are all 38 of those completed or in the test process?

Ms. EISENSTAT. No, sir.

Mr. LAUGHLIN. Can you tell us how many fit into either category of being completed or part of the operational test of the 38?

Ms. EISENSTAT. Of the 38, they have not completed any of those initiatives, and I believe that of the 15 that were supposed to be in an operational test state, only 5 are currently being tested.

Mr. LAUGHLIN. What concerns me is, 2 years ago, when I was on the Aviation Committee, before I got there, millions of dollars, hundreds of millions of dollars had been authorized for a new computer system to prevent our airplanes from running into one another in the skies, and hundreds of millions of dollars had been squandered, and then there was still no new computer system to help our pilots and airlines operate. While I had not been there in a couple of years, to my knowledge there is still no system in place. It occurs to me that we are going to do the same thing here on this redesign plan. We are just going to keep designing and keep designing and spending money and wasting time and not taking care of the people who need the help.

So my question to you is, with that concern, and you seem to express it, as do the other witnesses here, what do you recommend this Subcommittee do to focus the SSA on at least narrowing down what can reasonably be done with just a few initiatives and get them in place and then go on to a few more? Is that going to be possible, and do you have a recommendation to us of how we get there?

Ms. EISENSTAT. I believe there could be some very constructive dialog with the Social Security Administration now about midcourse corrections that might be warranted.

We believe that, consistent with our statement and what you have heard from the others, SSA is spreading themselves too thin, and that the project would benefit from focusing their efforts on a few of the initiatives that are more likely to achieve the goals that they set out to accomplish.

Some of these are not quick fixes. Installing enhanced technology and the process unification initiative that you heard about earlier are not things that can be done in a matter of weeks or months. We believe SSA might consider a different approach to even those longer term initiatives by segmenting them into manageable tasks that could be done quickly, so that SSA can demonstrate some progress as opposed to designing the whole thing and testing it.

Mr. LAUGHLIN. Rather than ask you to come up with such a plan today, could you consider this as a question for the record and submit your recommendations in writing to the Chairman outlining the segmented approach and which parts of the initiatives ought to be implemented first from your viewpoint? Would that be possible for you and your staff?

Ms. EISENSTAT. We have not fully evaluated the 38 initiatives to be in a position to tell you specifically which initiatives should be implemented first.

I think, however, there is some consensus about some of the more significant ones that we would be happy to talk to you about.

We are also in the midst of finalizing a report to this Subcommittee that will explore this topic more fully.

Mr. LAUGHLIN. If you could do what you are comfortable doing—

Ms. EISENSTAT. Sure.

Mr. LAUGHLIN [continuing]. Consistent with my request, I think it would be very helpful to us.

Ms. EISENSTAT. We would be happy to.

[The following was subsequently received:]

**STATEMENT OF DIANA S. EISENSTAT
ASSOCIATE DIRECTOR, INCOME SECURITY ISSUES
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Requested by Representative Greg Laughlin

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Social Security Administration's (SSA) efforts to redesign its disability claims process. SSA operates two disability programs--the Disability Insurance (DI) and Supplemental Security Income (SSI) programs. While downsizing substantially, SSA has struggled to manage unprecedented growth in applications for disability benefits and in the number of appealed disability decisions. Processing delays at SSA have created hardships for disabled claimants, who often wait more than a year for a final disability decision. In fiscal year 1995, SSA spent about \$3 billion in administrative costs to pay about \$61.3 billion in cash benefits to program recipients.

Concerned about reducing administrative costs, saving time, and improving the quality of service in the disability claims process, SSA's leaders turned to business process reengineering in 1993. Leading private organizations have successfully used such efforts to identify and quickly implement dramatic operational improvements. The objective of reengineering is to fundamentally rethink and radically redesign a business process from start to finish so that it becomes much more efficient and significantly improves service to an organization's customers. SSA's broad-based redesign project, to be completed by 2000, focuses on streamlining the process of determining eligibility for disability benefits by relying more on automation and more efficiently using its workforce.

You asked us to monitor SSA's progress in implementing its redesign project. Today I will discuss issues related to the scope and complexity of the project and the agency's efforts to maintain stakeholder support. In our earlier work, we reported that SSA would face formidable implementation challenges. I will also discuss today some ways that could help SSA increase the likelihood that its project will succeed. My comments are based on information obtained from SSA officials responsible for implementing the redesign project, reengineering experts, and management and employee representatives involved in the disability claims process.

In summary, given the high cost and long processing times of SSA's current process, the agency needs to continue its redesign efforts. Its redesign plan, which undertakes a large number of initiatives at one time, is proving to be overly ambitious, however. Some initiatives are also getting more complex as SSA expands the work required to complete them. The agency's approach is likely to limit the chances for the project's success and has led to delays in implementation: testing milestones have slipped and stakeholder support for the redesign effort has diminished. In addition, the increasing length of the overall project and individual initiatives heighten the risk of disruption from turnover in key executive positions. We believe that as the agency proceeds with its redesign project it should focus its efforts on key initiatives, proceeding first with those that will quickly and significantly reduce claims processing time and administrative costs.

BACKGROUND

SSA's disability programs provide cash benefits to people with long-term disabilities. The DI program was enacted in 1956 and provides monthly cash benefits to severely disabled workers. SSI was enacted in 1972 as an income assistance program for aged, blind, or disabled people. The Social Security Act defines disability as an inability to engage in substantial gainful

Social Security Administration: Risks Associated With Information Technology Investment Continue (GAO/AIMD-94-143, Sept. 19, 1994).

Social Security Administration: Major Changes in SSA's Business Processes Are Imperative (GAO/T-AIMD-94-106, Apr. 14, 1994).

activity due to a severe physical or mental impairment. Both programs use the same criteria and procedures for determining whether the severity of an impairment qualifies an applicant for disability benefits.

Despite efforts to manage its increasing workload with shrinking resources, SSA has not been able to keep pace with program growth. Initial claim levels remain high, appealed case backlogs are growing, and decisions are not being made in a timely manner. In fiscal year 1995, about 2.5 million initial disability claims were forwarded to state offices for disability determinations, an increase of 43 percent over fiscal year 1990 levels. During the same period, the number of applicants requesting an administrative law judge (ALJ) to reconsider a decision denied at the initial claims level escalated from about 311,000 to about 589,000, an increase of 89 percent. Because of the increased workload, in many cases claimants now wait more than a year for a final disability decision.

SSA's Current Eligibility Determination and Appeals Process

SSA's procedures under the current eligibility determination process have not changed significantly since the DI program's inception. The process is slow, labor intensive, and paper reliant. In addition to delays in making disability decisions, SSA spends more than half of its administrative budget on this program--and very little of the process is automated. DI and SSI disability claims pass through from one to five levels of review to receive a decision, depending on the number of appeals a claimant files.

SSA field office personnel assist with completing applications; obtain medical, financial, and work history information; and determine whether applicants meet the nonmedical criteria for eligibility. Field offices forward applicant information along with supporting medical history to 1 of the 54 state disability determination services (DDS), where medical evidence is developed and a final decision made on whether the impairment meets SSA's definition of disability. SSA funds the DDSs, provides them with guidance for making disability decisions, and reviews the accuracy and consistency of their decisions. Claimants who are dissatisfied with an initial determination may request reconsideration by the DDS. Although a reconsideration is conducted by different DDS personnel, the criteria and process for determining disability are the same.

Claimants who disagree with a reconsideration denial have the right to a hearing before 1 of SSA's 1,035 ALJs in the Office of Hearings and Appeals. At these hearings, applicants, usually represented by attorneys, and medical or vocational experts may submit additional evidence. If the ALJ denies the claim, the claimant may then request a review by SSA's Appeals Council. The Appeals Council may affirm, modify, or reverse the ALJ's decision, or it may remand the case to the ALJ for further consideration or development. Finally, either the applicant or SSA may appeal the Appeals Council's decision to a federal district court.

SSA's Vision for the Redesigned Process

In November 1994, SSA released an extensive and complex plan to help turn its vision of a new disability determination process into reality. SSA's redesign plan for improving the process includes 83 initiatives to be implemented during a 6-year period (fiscal year 1995 through 2000).² Thirty-eight of those

²See Plan For A New Disability Claim Process. SSA (Washington, D.C.: Sept. 1994).

initiatives were to be completed or to be part of an operational test by September 30, 1996.³

SSA's redesign effort is a major departure from the current labor-intensive, paper-reliant process. Its ultimate goal is to make the disability claims process efficient and user friendly and to allow the agency to make the right decision the first time as quickly in the process as possible. To that end, SSA will rely heavily on information technology and will need to develop a simpler methodology for making disability decisions. Other key elements of the plan involve consolidating the duties, skills, and knowledge of at least two current positions in state and federal offices into one position, allowing the claimant to meet with the decision-maker, and creating a new adjudication officer to expedite decision-making at the appeals level.

Attention to Reengineering Best Practices Increases Likelihood for Project Success

Today's leaders in business process reengineering advocate a variety of approaches and strategies; however, they frequently cite certain best practices that increase the likelihood for success. Reengineering experts have found that when redesign efforts fail to achieve the desired change it is often because project managers paid insufficient attention to these best practices.⁴

Although a redesign project can be large and encompassing, experts suggest segmenting the project and concentrating on completing a few manageable initiatives, or tasks, at any one time. These experts believe that working on a relatively small number of initiatives with measurable performance outcomes at one time gives managers better control over the initiatives and allows a faster response if problems arise or deadlines are not met. They also contend that concentrating on a few initiatives can produce results in a short time frame that can help sustain key stakeholder support.

Furthermore, although the time frame for an overall reengineering project may run from 2 to 5 years, in a government environment, leadership turnover and frequent changes in the public policy agenda necessitate designing the project so that progress on individual initiatives can be made in relatively short time periods. Finally, reengineering best practices call for identifying all stakeholders and working to get and keep their support. Stakeholder support is vital because opposition can jeopardize the redesign effort's success.

PROJECT'S COMPLEXITY AND SCOPE POSE PROBLEMS FOR IMPLEMENTATION EFFORTS

The overall complexity and scope of SSA's implementation plan is limiting the redesign effort's progress. In prioritizing its redesign initiatives, SSA chose to work on 38 of them simultaneously--a decision that requires a significant investment in time and resources. Thousands of federal, state, and contractor employees throughout the country are engaged in activities such as designing, developing, testing, and evaluating processes and developing and delivering training programs. Although we identified six discrete tasks that SSA had completed as of July

³During fiscal years 1995 and 1996, SSA adjusted the number of near-term initiatives from 40 to 38 and the number of total initiatives for the project from 83 to 80.

⁴GAO has issued several products that address several of these best practices, and we refer to just a few of them in this work. See Government Reform: Using Reengineering and Technology to Improve Government Performance (GAO/T-OCG-95-2, Feb. 2, 1995) and Business Process Reengineering Guide, Exposure Draft, Version 1.0, 1995.

1996, it has not fully completed or implemented any of the 38 initiatives and is behind schedule in meeting its testing milestones.

Moreover, SSA also has encountered significant challenges in implementing some of the more complex initiatives. For example, SSA considers technology vital to fully realizing the redesign's benefits and has undertaken a technology initiative to more fully automate the processing of disability claims from the first contact with the claimant to the final decision. SSA is purchasing over 50,000 computers, installing a local area network in more than 1,350 office locations, and developing software. Today, completing this key initiative is falling behind schedule because implementation of this software has been delayed by more than 2 years. The delay is due to software development problems and the need for additional testing to assess redesign changes.

Another complex undertaking that will require completion of several supporting initiatives is implementing the disability claim manager (DCM) position. SSA currently plans to place about 11,000 employees in this position. DCMs will be expected to gather and store claim information, develop both medical and nonmedical evidence, share facts about a claim with medical consultants and specialists in nonmedical or technical issues, and prepare well-thought-out decisions. DCMs will be responsible for making the final decision on both medical and nonmedical aspects of a disability claim. Before fully implementing the DCM position, SSA must first provide several critical support features, including technology enhancements and a simpler methodology for making disability decisions--features that SSA does not expect to be available for several years.

Several of SSA's initiatives are beginning to expand in scope and length. For example, the scope of SSA's initiative to achieve consistent adjudication results throughout all stages of the disability process has expanded considerably. Initially, the plan called for developing a single policy manual for use by all SSA and state employees involved in the process. As the agency worked on the initiative, it realized that considerably more effort was required. As a result, SSA expanded this initiative to include (1) conducting the same training for 14,000 decision-makers, including claim representatives, disability examiners, ALJs, doctors, and reviewers; (2) developing a consistent quality review process that balances review of allowances and denials and applies the same standards at all stages of the process; and (3) using medical and vocational expert input. With these expanded tasks, full implementation has been extended from September 1996 to January 1998 or later.

Although SSA may take many years to fully implement this complex undertaking, experts suggest that individual project initiatives should be completed quickly--generally taking no more than 12 months to implement--to give managers better control over them and allow for a faster response to problems that arise. Achieving measurable results quickly also enables organizations to build stakeholder support for its initiatives and overall redesign project.

Moreover, the cornerstone of any redesign effort is the commitment and long-term availability of its top leaders. Redesign initiatives that take many years to complete face an increased risk--the longer the project takes, the greater the chance that the leadership will change. Turnover typically causes project delays and possible changes in scope and direction. Although SSA recognizes the importance of management stability and continuity to the redesign process, it has already experienced turnover of key executive-level personnel since implementation began.

SSA Challenged to Maintain
Stakeholder Support

To the extent possible, managers of redesign projects should seek and secure support from all stakeholders. SSA has tried to involve interested parties in the redesign effort by identifying more than 140 stakeholders, meeting with them to discuss redesign issues, and including them on project task teams and work groups. Although its stakeholders generally support the need for redesign, SSA has had problems getting and keeping support from some of them. In fact, some redesign proposals are beginning to cause major concerns for stakeholders. We found, for example, that SSA's decision to create the DCM position to adjudicate claims raised fears that some employees would lose their jobs. Furthermore, SSA's decision to temporarily promote to a higher pay grade federal employees selected for the position raised a major concern for state employees who would be paid less for the same work.

CONCLUSIONS

SSA should be commended for initiating action to significantly improve its disability claims process and should continue its efforts. Since 1993, however, SSA has made limited progress toward fulfilling its redesign goal. Although SSA has begun many of the planned initiatives it expected to complete by September 30, 1996, many are behind schedule and none is far enough along for SSA to know whether specific proposed process changes will achieve the desired results. We are concerned that SSA has undertaken too many complex initiatives--some are now lengthy endeavors that are likely to extend the overall project completion date. Before proceeding further, SSA needs to reassess the number of initiatives it is simultaneously undertaking and the time frames for completing them. Because SSA undertook this project to reduce processing time and administrative costs and improve service to the public, it should focus its efforts on fewer initiatives and emphasize those that will have the greatest impact on accomplishing the project goals. SSA should reevaluate the relative priority and contributions to the redesign goals of the remaining initiatives and implement them as resources permit.

Mr. Chairman, this concludes my formal remarks. I will be happy to answer any questions from you and other members of the Subcommittee. Thank you.

Mr. LAUGHLIN. Thank you, Mr. Chairman. That is all I have.

Chairman BUNNING. I am sorry to announce that I cannot question anymore because I have got another Subcommittee meeting. I would like to submit written questions to both sides of the panel.

I am deeply concerned that maybe solutions cannot be found from within. Maybe it has to be done from without. To solve some of these problems, we may need outside input. I am not saying necessarily from the private sector, but I am saying we need someone like GAO to look from without and say these are the things that you can and cannot do to be successful. We must get input from those people that are on the firing line on a daily basis.

We do have continuous flux in the management and key positions over at SSA. That does make the continuing changes more difficult, or at least that is the information that I get from reading the testimony.

We would appreciate being able to submit to you some further questions, and we thank you for your testimony today.

[The following was subsequently received:]

1. In your testimony you expressed concerns regarding what you believe is the most basic problem with the current disability process, the discrepancy between State Disability Determination Services (DDS) and administrative law judge (ALJ) decisions. Given your unique perspective as front-line workers, why do you believe this discrepancy exists, and what is SSA really doing about it?

A portion of the discrepancy can be accounted for by rational components of a multi-tiered appeals process. One example that is frequently cited is the progression (increased severity) of impairment from the time of the initial decision to the appeal months later, sometimes longer, before an ALJ. Reasons such as this have been historically given by SSA and other observers and are well-documented. We believe, however, that structural aspects of this kind explain a small (and acceptable) proportion of the difference between DDS and ALJ decisions. We will, therefore, devote most of our comments to other factors, also structural, which are thought to make up an unacceptably large part of the discrepancy and which seem to be amenable to administrative or legislative remedy. These include:

- ***Different decision making processes.*** The two processes are fundamentally different, one relying on a paper review of medical and other relevant evidence considered within a set of complex, objective rules with limited or no contact with the claimant and the other emphasizing face-to-face contact with the individual and a subjective assessment of the credibility of the impaired individual's statements. This second process also may include legal representation for the claimant and testimony by medical and vocational experts.
- ***Different review process.*** To describe this in skeletal form, DDS's are held, by the pre-effectuation review (PER), to strict accountability for favorable decisions while the ALJ's must account to the Office of Hearings and Appeals (OHA) and the courts for unfavorable decisions. Even the small (but, admittedly, increasing) number of ALJ allowances that are subject to review lack the import for ALJ's that they do for DDS decision makers because different standards of review are employed and no meaningful sanctions for making incorrect decisions are in place.

DDS decisions are submitted, by Federal quality components, to a *preponderance of evidence* standard. This standard is frequently described by individuals within SSA as one that ensures that the DDS makes the correct decision on a given claim. This strict standard, in effect, ensures that a favorable decision that receives a Federal review (one of every two) must be determined by two separate individuals, a DDS examiner and the federal quality reviewer, to be correct in order for an allowance at the DDS level to occur. Though substitution of judgment is formally proscribed in the review process, in practical terms there is very little to prevent "readjudication" of DDS allowances by the reviewing

component. Borderline cases, or cases in which substantial judgment is required, are much less likely to overcome this second hurdle than to overcome only one. It is apt to observe that even though the DDS decision maker had limited contact with the claimant, most likely telephone contact, the Federal reviewer has had no contact at all. Accordingly, subjective elements that may have been a part of the DDS decision are structured out during the Federal review. While only half of favorable decisions are actually reviewed in this manner, the chilling effect of the frequent return of DDS allowances on subsequent decisions should not be underestimated.

By contrast, ALJ decisions that are reviewed (by OHA) are overturned only if it is determined that there is not *substantial evidence* to support that decision. Stated conversely, the decision is upheld if there is *more than a mere scintilla of evidence*, i.e., such relevant evidence as a reasonable mind might accept as adequate to support the conclusion. It seems manifestly apparent that the standard employed in reviewing ALJ decisions serves to reinforce the discretion and latitude inherent in the hearings process while the standard employed in reviewing DDS decisions reinforces the adherence to strict rules characteristic of the process required of them. This type of review tends to discourage individual consideration of factors not clearly covered by rules. On the other hand, the standard used in reviewing ALJ decisions supports and reinforces consideration, including very subjective consideration, of such factors.

We will identify and discuss additional factors below; however, these can arguably be viewed as specific manifestations of the two general, and fundamental, factors described above and, as such, tend to elaborate on them.

- ***Different emphasis on the medical and legal components of disability determinations.*** Some observers have commented that DDS's makes medical decisions while the ALJ's make legal decisions. It is more accurate, we believe, to conclude that both components recognize the medical/legal nature of disability decisions but tend to emphasize these two aspects differently. In fact, their different processes require it. DDS applies a set of complex, largely inflexible rules to a set of objective medical findings and related evidence and determines whether the requirements for finding disability are met. The Federal review component reinforces this approach when it reviews DDS decisions "to ensure that:
 - a. The evidentiary record supports the decision, and
 - b. The evidence and the decision conform to SSA operating policies and procedures."

The quoted text is from the Program Operations Manual System (POMS) GN 04440.001B, *Federal Quality Review of State Disability Determinations, Policy*. DDS decisions are made by an examiner/physician (or psychologist) review team. Medical assessment of facts in the case is often intensive and frequently requires a specialist. Credibility of the claimant's allegations and the validity of the opinion of treating medical sources regarding disability are weighed against objective medical findings.

ALJ's, however, rely extensively on the opinions of expert witnesses and the statements of claimants and their representatives to augment the written record. Often, there is little or no input from a physician or psychologist. The ALJ, with significantly less medical training than DDS examiners, must determine the credibility of the claimant's statements about pain, fatigue, and loss of function comparing these statements to medical evidence which, relative to the DDS physician/examiner team, he is inadequately prepared to interpret. He runs into a similar problem in assessing the appropriate weight to be given to the opinions of the claimant's treating sources. These circumstances help to explain, we believe, why DDS physicians often find individuals capable of extensive work-related functional ability (such as lifting substantial weight and standing for extended periods throughout the day) when the same individuals are subsequently found to be capable of only sedentary work, or less, by an ALJ. Studies by SSA demonstrate that this difference in assessment of residual functional capacity accounts for the largest portion of the discrepancy between DDS and ALJ decisions.

- ***The subjectivity inherent in a process involving face-to-face contact with the claimant.*** We need to make it clear, first of all, that we recognize the value in affording claimants an opportunity to personally plead their case to a decision maker and that the face-to-face contact can sometimes lead to recognition of facts that were not apparent in a paper review. Accordingly, such contact often permits a correction of deficiencies inherent in the paper review and underscores the importance and value of an appeals process. At other times, however, personal contact leads to inappropriate subjectivity in decision making. A loss of objectivity due to sympathy for the individual or, as sometimes occurs, a negative reaction to the individual, is not appropriate. While this difficulty is a structural component of personal contact, factors such as clear policy, meaningful reviews, and extensive training can effectively discipline against inappropriate subjectivity.

One of our members has described an incident in which he, and others, watched a reconsideration interview of a claimant by an experienced adjudicator. The observers concluded that, based on the medical facts and program guidelines, the claimant was "clearly a denial." When questioned, the reconsideration examiner

stated that he intended to allow the claim and defended his decision on the basis that the claimant "is a good old boy." This single anecdote, of course, proves nothing in general. It would be counter-intuitive, however, to believe that decisions which involve personal contact are not frequently influenced by factors such as we've described.

To conclude our response to this part of the question, and to attempt to place the discrepancy between DDS decisions and ALJ decisions in perspective, we would like to cite a related fact: the largest discrepancy is not between DDS decisions and ALJ decisions. Rather, it is between one ALJ's decisions and another. While current data is difficult to obtain, allowance rates (often called reversal of DDS decisions) by individual ALJ's as low as 10% and as high as 95% have been recorded. These data underscore the extensive, some would say rampant, discretion which attends to the appeals process at this time. On the surface, it would seem that a claimant for disability would have more than a 9 times greater chance of being allowed if he appeared before one judge than before another. The DDS's, with stricter rules and more stringent review, do not have such dramatic discrepancies. Still, we believe that under improved circumstances the two processes could complement each other in ways that would enhance efficiency and equity. Now, they are seen as producing outcomes that are at odds with each other rather than working in concert to provide correct decisions to disabled individuals in a timely and cost effective manner.

All this leads to the second, and critical, part of the question—**what is SSA really doing about it.** The answer, we believe, is that they are making some important first steps to narrow the gap to an acceptable and appropriate level. The *process unification training*, currently being provided to all components, can lay the groundwork for meaningful improvement. We recognize that the doubts regarding the possibility that this training will produce significant results are well founded; however, if SSA follows up aggressively with other initiatives, meaningful change can occur. On the other hand, if SSA views it as the end of the journey rather than its beginning, the impact will probably be too little to measure.

We have learned recently that SSA has begun work on the *single presentation of policy*, or the "one book," to be used by all disability decision makers. We feel that this is a necessary step but, based on the premise that the discrepancy is related much more to process than to policy, we expect little numerical impact. Still, it is correct and just that any individual facing any decision maker have the same policy applied to his claim for disability as any other individual.

SSA has recently expanded the *review of ALJ allowances* to include monitoring by its Office of Program Integrity and Reviews (OPIR), the component which reviews DDS decisions. If, however, OPIR identifies deficiencies under the preponderance of evidence standard, the case will be referred for additional review by OHA where the more liberal

substantial evidence standard will apply. We look forward to reviewing the data which OPIR plans to gather based on the preponderance of evidence standard. We think this might help quantify the problem and suggest additional remedies. We are concerned, however, that the number of reviews will be too small and that the application of different standards for reversing DDS and ALJ decisions will continue to militate against unification of the two processes.

SSA has also recently announced plans to develop a *single standard of review* for DDS and ALJ decisions. We believe that this is a *sine qua non* of process unification. We are concerned, however, that if different components with different cultures, budgets, staffing patterns, and leadership conduct these reviews, the single standard may fall prey to disparate interpretation and application.

Finally, SSA has accomplished a *reorganization* of the Agency along lines that are intended to narrow the gap between OHA and other components. We do not have data that would permit an independent assessment of the efficacy of this initiative.

2. You indicated that many features of the redesign plan will increase fraud. Would you please elaborate?

Two proposals of the redesign are widely perceived as substantially increasing the program's vulnerability to unscrupulous claimants and even medical practitioners. One has to do with *third party collection and submission of evidence*. It will be difficult to verify the validity of evidence obtained by any vehicle other than direct submission from a medical provider to the decision making component. In several areas of the country, fraudulent medical evidence has already reached troublesome levels, often involving physicians recruited by organized groups for the purpose of fraud. Extending the involvement of third parties, while eliminating the safeguard of direct submission, could result in an epidemic of such practices.

The second aspect of redesign which is troublesome in this regard is the *tendering of functional assessments by treating physicians with certification that they have, on record, evidence which supports their conclusions*. We appreciate the fact that most physicians maintain the highest standards of ethical practice and demand the same of staff; however, a relatively few doctors who will provide fraudulent statements can cause enormous damage to the Trust Fund. In all SSA's writings on redesign there is no indication how this problem will be monitored and controlled. If a physician avers that the medical evidence on record supports an assessment of function he has submitted, how could it be proven, being a subjective judgment, that it does not? Certainly it would be difficult, if not impossible, to demonstrate that such certification was knowingly fraudulent.

Finally, there is concern about the plan to have the same individual, the DCM, both

make the disability decision and effectuate payment. This would seem to eliminate the safeguard often used in the private sector of establishing procedures so that two or more individuals must take separate actions to permit the transfer of substantial funds. This safeguard is based on the audit principle that collusion between individuals is much less likely to occur than the dishonest act of a single individual. While SSA will likely establish mechanisms to minimize the occurrence of such actions, it seems that the likelihood will be substantially increased despite best efforts.

3. Your organization consists mostly of those who actually adjudicate disability applications in the States. Do you believe your position could be successfully merged with the claims representative position, which is currently a position as Social Security field offices? How can we be sure that your real motivation is not just to protect your jobs?

Until testing is completed there is no data to support a judgment regarding the merging of the adjudicator and claims representative functions into a single position yet the preliminary impression of a great number of observers, inside and outside DDS's, is that such a merger would be extremely difficult, if not impossible. Opinion of our informed members divides between those who believe it is impossible and those who believe it is possible under the right circumstances. These circumstances include vastly enhanced automated support systems, a simplified decision process, an unwavering commitment to training by the SSA, and a willingness, to increase administrative costs because of increased salaries for individuals with the willingness and capability to perform this function and increased training costs, including training costs resulting from the expected increase in turnover. What is lacking is a rationale for the change to the DCM position, even if it were cost neutral. SSA's sole stated reason for proposing the DCM was that there was overwhelming public support for the position, a rationale which has recently, when challenged, been withdrawn. Absent demonstrated public preference for the single point of contact, we believe that SSA should do a zero base assessment of this concept.

There is considerable skepticism that the melding of the specialized complex skills of disability adjudication with the complex knowledge of eligibility factors required of Claims Representative (after the specialized Title II and Title XVI CR positions are, themselves, combined) will produce efficiencies, program integrity, and improved customer satisfaction. None of us with interest in the disability program should commit to implementation of the DCM concept until clear evidence of its efficacy is available.

The ancillary question regarding the possible **motivation to protect our jobs** is a fair one and we appreciate the opportunity to address it in a forthright manner. Some of our members are concerned about their jobs and our leadership takes all the concerns of our members seriously. These kinds of concerns do not, however, dictate our policies or legislative positions. The best evidence of this is our record in the legislative arena. We

have never advocated positions that relate to salaries, working conditions, job security and other such matters that, though legitimate concerns, distinguish our professional association from trade unions. Our on-the-record support for testing the DCM position evidences our openness to any change which can be demonstrated to increase efficiency and claimant equity in the disability program. Finally, even though all the concerns of all our members have not been allayed by SSA's assurances that DDS jobs might be changed but will not be lost, organizationally, we accept these assurances at face value.

4. What features of the redesign plan do you support?

We strongly support *process unification* and support all current initiatives related to this objective. These include cross-component training, work on a single presentation of policy, review of ALJ decisions, and efforts to formulate a single standard of review for DDS and ALJ decisions. We support the concept of the *Reengineered Disability System* and upcoming plans to test this in a DDS. We support rigorous testing of the full process model and of the DCM position. We continue to oppose any testing of any features which includes in the testing protocol "a high presumption of success." We support the idea of a *simplified decision methodology* but, of course, withhold judgment on particular versions until they are known. We also strongly support the promised *ongoing training program* for all decision makers.

5. You said in your testimony that you are worried about the stability of the disability Trust Fund. Isn't the point of disability process redesign to allow the same people but allow them sooner? In your view, how would redesign jeopardize the Trust Fund?

Historically, SSA has shown its effectiveness in influencing the allowance and denial rates or CDR continuance/cessation rates of DDS's through the issuance of instructions and reinforcement of those instructions with the review process. It has not, however, been effective in influencing ALJ decisions. Past experience shows—for example, following the 1984 legislative reforms—that increases in DDS allowance rates are generally followed by increases (not decreases) in ALJ reversal rates. Consequently, absent concrete initiatives that would countermand the historical trend, an increase in DDS allowances would be expected to bring about an increase in allowances overall. Process unification, so far, does not seem to have sufficient vigor to reverse the historical trend. Anecdotal evidence provided by many of our members who attended process unification training sessions with ALJ's indicates that most of the judges do not anticipate a change in the way they decide claims as a result of this training.

SSA has stated that if efforts such as process unification result in a 1-2% increase in DDS allowances, ALJ's must decrease their allowance rates by 4-7% to ensure that the impact on the Trust Fund is neutral. We are hopeful, but not entirely optimistic, that sufficient reinforcement through the review process, SSA reorganization, and other initiatives

described in our response to your first question may bring about the needed shifts in practice and attitude. If not, we will welcome legislative consideration of the use of state or federal hearings officers and institution of a Social Security Court.

This, and exposure to fraud, are *old* concerns that process redesign has not yet shown it can correct and has a clear potential to exacerbate. Ironically, redesign is also seen as creating a *new* threat to the Trust Fund. Under the proposal, the DCM, when reversed by an ALJ, will have the claim remanded to him for payment effectuation. These remands will provide an incentive to DCM's to anticipate which claims are likely to be allowed by the ALJ and to preemptively allow them rather than create a delay for the claimant and subsequent rehandling by the DCM. Since ALJ's often cite anticipated reversal or remands by the courts as their impetus to allow certain kinds of claims, the proposed system will create a channel which links the courts, indirectly through the ALJ's, to the initial decision maker. For the first time, reversal of denials by courts, or the anticipated threat of reversal, will set in motion forces that will be felt by the initial decision maker. We are quite concerned about the implications of this proposal. We urge a careful and sober look at these issues prior to implementation.

December 20, 1996

The Honorable Jim Bunning
Chairman, House Subcommittee on Social Security
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Bunning:

This responds to your letter to Jerry Thomas dated November 22, 1996, in which you asked eight questions in follow up to testimony presented at a hearing on September 12, 1996.

Before turning to your particular questions, I want to make one brief comment in modification of the written and oral testimony presented by NCDDD at the hearing. The testimony might be interpreted to conclude that NCDDD does not feel that there have been any successes at all in SSA's disability redesign. This is not the case. While there are serious disagreements on some of the specific initiatives and on the pace, scope, and priority of some other initiatives, I was remiss in not acknowledging the positive aspects of redesign in general and the progress that has been made on some specific projects. In particular, the cross component training that has taken place as the first step in process unification, the information being obtained in the adjudicative officer and single decision maker projects, and the developing plans to test what is known as the full process model should all be regarded as successes. Equally as importantly, since the summer of 1994 — shortly after the release of the original reengineering report — the process for developing the redesign initiatives has helped promote an effective working relationship between the states and the SSA Disability Process Redesign Team. Mr. Chuck Jones in particular has been instrumental in keeping DDSs informed of what has been happening in redesign and in assuring opportunities for full participation and inclusiveness for DDSs.

Responses to your specific questions are as follows.

- 1, Relative to the creation of the position of Disability Claims Manager (DCM), you asked why the NCDDD does not feel that the position can be successfully implemented, and you asked if reluctance to endorse the position is just an attempt to protect state jobs.

According to SSA's original plan, the DCM would be accomplished in two steps. First, job tasks would be simplified through the development of a comprehensive system of "enablers". Second, the functions presently performed by SSA Claims Representatives and DDS Disability Examiners would be combined into one position. Neither step seems plausible to us. With regard to the enablers, state and federal personnel have worked together on operational problems over the past few decades with much more modest results than what the enablers were predicted to accomplish. The system of enablers always appeared to be more of a wish list than an achievable set of program tools.

With regard to combining jobs, both jobs are very complex already. Persons hired into these jobs require approximately two years of training and experience in order to become proficient. This makes longevity and low turn over essential in order to achieve efficiency in service delivery. Combining the jobs would approximate double the amount of down time spent in initial and ongoing training.

Further, the jobs require different types of skills. Presently, the presence of just one type of skill enables an individual to perform successfully in the program. Under the DCM, the absence of either type of skill would severely compromise an individual's ability to provide good service. Thus, creating the DCM will result in a less efficient and more costly service delivery system and will reduce the range of individuals who can perform the work.

Of course, you are correct to observe that DDSs want to maintain their place in the administration of the disability program. Frankly, there is no way for you to be absolutely sure that our concern for job security does not influence our response to some of the proposed program changes. You can, however, observe that the historical and current behavior of the DDS community is not characterized by preoccupation with self interest. DDSs have often participated in the field testing of new ideas without regard to their probable impact on long term DDS job security. A recent example would be the Adjudicative Officer project. DDSs volunteered to try out this position with no up front assurance that, if successful, it would not result in the loss of state jobs. Success of the AO and subsequent creation of AO positions in both state and federal locations could plausibly be regarded as a threat to the scope of the DDS role because of elimination of the reconsideration step which is performed exclusively at the DDS. Still, DDSs are willingly participating in AO demonstration projects because of the potential to improve service delivery.

If job protection were the dominant DDS motivation, we would be tempted to strongly endorse the DCM concept since it offers an opportunity for DDSs to aggressively expand their role in the program. Given the certainty of the continuation of cost consciousness in government, DDSs could attempt to exploit the substantial differences in state and federal salaries, the historically high rate of DDS productivity, consequent cost effectiveness, and other advantages as a basis for arguing that the great majority of DCM positions should be placed in the DDSs.

But the reality is that the predominant reason for the DDS community not endorsing DCM is because we believe that it will result in a less efficient and more costly process without adequate offsetting advantages. And we are not alone. Skepticism about the viability of the position was expressed by a wide range of commenters very soon after the reengineering plan was first announced and the skepticism has continued through the publication of the most recent GAO report on this subject.

2. You asked why the plan to develop 1500 DCM positions was characterized as “dangerous adventuring that would have exposed the program to needless risk”, and you asked about the negotiations with the SSA unions that resulted in the plan for 1500 positions.

The Memorandum of Understanding negotiated between SSA management and organized labor did result in an agreement to create at least 1500 DCM positions between January of 1996 and January of 1998. That plan can be regarded as dangerous because it made an astonishingly large commitment to the DCM concept before there was even a good understanding of what would be required to train DCMs, because it was not based on a carefully contemplated or widely shared understanding of what the specific job content would be, because of its likely immediate adverse effect on workloads, and because its scope was so large as to make turning away from DCM difficult if the position proved not to be workable. As has subsequently been established by professionals in the business of project evaluation, 1500 positions is far beyond what is necessary to test the viability of the DCM concept.

NCDDD did eventually participate in a SSA sponsored work group to determine the details of the DCM concept including the training process. NCDDD then agreed to a plan to test the concept using between 230 and 290 DCMs. We feel that this test is wide enough in scope to produce useful information about the (pre-enabler) viability of the position while being narrow enough to not adversely affect workloads during the test, to minimize the loss of resources, and to preserve the option to abandon the whole concept if it doesn't work.

With regard to the union negotiations, since NCDDD was not present at the negotiations, we cannot comment on any aspect other than the outcome.

3. You asked about the enablers which SSA originally said would support the DCM, if the enablers are in place, if SSA is moving forward anyway, and what our dialogue has been with SSA about the enablers.

The enablers included state of the art computer hardware, a software system consisting not only of case development and management information functions but also decision support and expert system functionality far beyond anything successfully developed so far, a simplified methodology for making eligibility determinations, a vastly improved relationship with the medical community, and transfer of responsibility for collection of evidence to claimants and their representatives. None of these enablers are now in place. Although the computer system is the one most often criticized for its substantial delays, the other enablers do not appear close to completion, and most lack the detailed timeline schedule and statement of specifications that has been published for the computer system.

NCDDD has recommended that SSA adhere to the original plan of developing the enablers before expecting the DCM to operate efficiently, but SSA does plan on testing the DCM in FY'97 in a pre-enabler form.

4. You asked if claimants now have no responsibility for collecting evidence of disability.

Under the existing system, claimants usually are asked at the time of application if they have evidence in the form of medical reports to present in support of their claims. Claimants also are asked to cooperate with the process of obtaining evidence, by attending consultative examinations and, sometimes, by helping the program personnel contact treating sources to encourage them to submit reports. However, the majority of the effort in obtaining a medical record is the responsibility of the DDS employees. We have expressed concern that permitting claimants or their representatives to develop the medical record will result in a biased record since the claimants will tend to focus on reports that support their claims and omit reports which might support a finding that they are not disabled.

5. You asked about the extent to which DDSs are involved in redesign initiatives, whether the workloads are suffering, and if SSA has provided resources for these activities.

The adjudicative officer project and the single decision maker test are being piloted in several states. Nearly all DDSs and OHA staff have now participated in the first stage of the process unification effort. Many DDS employees have had the privilege of participating in work groups to lay the foundation for other redesign initiatives, and there is much DDS involvement with determining the functional requirements of the computer system. Since these projects are small in scope, there has been only a minimal adverse effect on the workloads. In some ways, the AO and SDM projects have improved work flow. SSA has done an excellent job in helping to assure that the resources needed to support participation in these projects are available to the participating DDSs. However, due to the urgency of completing the drug and alcohol addiction and child reviews, some DDS participation in demonstration projects may have to be curtailed.

6. You asked about the combined effect on front line workers of SSA's extremely optimistic predictions in 1994 about the success of reengineering and the fact that little has happened in the way of actual implementation.

The vast difference between prediction and outcome could not have favorably affected the credibility with which messages are received in the field. The perception exists that making overstated claims about dramatic improvements and dedicating resources to impractical endeavors have imprudently diminished the energies available for solving the more immediate "here and now" problems of the disability program.

The important fact however, is that the front line workers have continued to perform their jobs with dedication, competence, and beneficial outcome to the American public.

7. You asked why we think that the difference in decision making processes and outcomes between the DDS and OHA level is the most serious problem facing the disability program.

There are four reasons.

First, and most importantly, is the effect on the day to day lives of the ordinary American people that the program is supposed to be serving. Too many persons receive their benefits only after a very long wait and must pay 25% of their back benefits to an attorney or other representative. If these cases are good allowances, then the majority of them should have been allowed at the earlier stages which are much quicker and less costly to the tax payer.

Second, is the effect on the program personnel --- the phenomenon of such a high reversal rate saps employee morale. Front line Disability Examiners have come to expect as common place the fact that cases not allowable at the initial and reconsideration level will be allowed at the hearings level. In fact, encouraging claimants to exercise their appeal rights is not unusual

Third, is the effect on the continuing disability review process. The combination of the types of cases allowed at the OHA level and the medical improvement standard results in enormous inequities when cases are processed at the continuing disability review level. The problem is this --- many OHA allowances are based on findings that claimants with moderate impairments have a capacity for only a restricted range of sedentary work. In such cases, the medical improvement that is a prerequisite for cessation of benefits is unlikely to be demonstrated since the medical condition was not at the extremely severe stage when the case was first allowed. Simply stated, the less impaired the claimant is when allowed, the less likely it is that benefits will ever be stopped. Conversely, the most impaired claimants are also the most likely to show medical improvement because their conditions have more room for improvement.

Fourth, is the fact that a high rate of allowance at the appeals level --- the most expensive, most time consuming, and least efficient stage of the process --- guarantees a continuing backlog of cases awaiting appeal. Claimants appeal to OHA not only because they have been denied at the earlier levels, but also because of the high probability of success on appeal.

8. You asked for an opinion as to the major reason for such a high reversal rate at the OHA level.

SSA officials have, in their public responses to this issue, historically overstated the less causative factors --- worsening of the condition, discovery of additional evidence, passage of time, face-to-face contact with the decision maker, etc. --- and vastly underestimated the real reason which is the combination of the absence of common training, the absence of a common policy guidelines, and the absence of any effective method of assuring that OHA decisions conform to program regulations and policy. The variance of allowances rates among individual decision makers in OHA constitutes definitive evidence that this is the case. In addition, a quality assurance system which focuses primarily on reviewing and returning allowances at the DDS level and almost exclusively on returning denials at the OHA level actually pulls decision making between the two levels apart.

You may wish to refer to the recent GAO report (GAO/HEHS 97-28) for an excellent discussion of this matter.

Thank you for the continuing opportunity to provide information and viewpoints on subjects related to the Social Security disability program.

Sincerely,

A handwritten signature in black ink, reading "Douglas Willman". The signature is written in a cursive, flowing style.

Douglas Willman
NCDDD President

GAO'S RESPONSES TO QUESTIONS FOR THE RECORD**DISABILITY REDESIGN****Question 1:**

Based on your review, why has the SSA systems now critical to the success to the disability redesign encountered such major delays in implementation?

SSA's Disability Redesign System which is intended to allow SSA to move from its current manual, labor-intensive disability determination process to an automated process has been delayed by 28 months. SSA now plans to begin implementing this system in April 1999. The delay is due to the following:

- 10 months of the delay is primarily due to software development problems including (1) using programmers with insufficient experience developing software for a PC-based computing environment, and (2) using software development tools that have not performed effectively.
- the remaining 18 months of this delay can be traced to an unrealistic development schedule that left insufficient time for system testing. For example, specific equipment was scheduled to be acquired before ensuring the equipment could adequately process claims in SSA's redesigned environment.

Question 2:

In your testimony, you mentioned that SSA decided to work on 38 initiatives at the same time, requiring significant investment in time and resources. To date, how much has been spent on redesign since SSA published its implementation plan in 1994?

The investment of time and resources described in our report refers to the thousands of federal, state, and contractor employees throughout the country engaged in designing, developing, testing, and evaluating processes and developing and delivering training programs. During the course of our audit work, we did not obtain specific and inclusive cost information.

However, we recently asked SSA to provide us with redesign cost data from the time the implementation plan was published in 1994 to the present. SSA officials believe that it is difficult to attribute many costs directly to reengineering activities because they are associated with other ongoing efforts as well. To date, we have received no redesign cost information.

Question 3:

Your testimony indicated that the cornerstone of any redesign effort is the commitment and long-term availability of its top leaders. What turnover of key executive level personnel has SSA experienced since redesign implementation began? Has SSA taken any action in response to this turnover which demonstrates their realization of the importance of management stability and continuity?

Since redesign implementation began, SSA has experienced turnover in the following senior executive positions:

Principal Deputy Commissioner
Deputy Commissioner for Systems
Director, SSA Process Reengineering Program

Because turnover in executive positions occurs frequently in government, we have expressed concern with the planned duration and scope of SSA's redesign project. Thus far, reengineering has remained an agency priority. However, in our testimony and subsequent report we have cautioned that continued turnover could result in a loss of momentum and further delays. To increase the likelihood that SSA can accomplish rapid results, we have recommended that the agency concentrate its efforts on endeavors of smaller, more manageable scope. Specifically, SSA needs to select those initiatives most crucial to producing significant, measurable reductions in claims processing time and administrative cost--including those initiatives intended to achieve process unification, establishment of new decisionmaking positions, and enhancement of information systems support.

Questions for the Record

PERSONAL EARNINGS AND BENEFIT ESTIMATE STATEMENT (PEBES):

1. Does the current PEBES statement convey what Congress intended, that is, an understanding of Social Security that results in increased public confidence, especially for younger workers?

Overall, the public believes the information provided in the PEBES can be helpful as a financial planning tool. However, we found that the statement fails to clearly communicate the complex information people need to understand SSA's programs and benefits. It provides too much information, and presents this information in a way that undermines its usefulness. As a result, the statement can frustrate or confuse readers and could undermine rather than boost public confidence in Social Security. Younger workers in a 1994 focus group asked for a simplified one-page statement with the explanatory information placed in a separate pamphlet.

2. You said that the estimated cost of sending out the PEBES to 123 million workers in the year 2000 is \$80 million. Has GAO estimated the administrative burden the current design of the statement may place on SSA if millions of workers continue to receive a PEBES statement they cannot read or understand? Could this result in an overwhelming workload for the local Social Security offices and the employees who answer SSA's 800 number? Would this confusion further erode public confidence in Social Security?

In our ongoing work for this Subcommittee, we are currently examining the impact of PEBES on SSA's workload and operations. We plan to report on this work in June 1997. Certainly, a confusing statement can generate unnecessary public inquiries. These unnecessary inquiries place an added burden on SSA's front-line workers, especially those workers who answer SSA's toll free telephone numbers. If SSA is unable to handle the number of incoming calls, this could frustrate callers and further erode public confidence. As SSA considers new formats and changes to the PEBES, it will be important to examine the effects of these changes on the level of public inquiries.

3. Why is it important for SSA to make your recommended changes to the PEBES statement now, rather than say, next year?

SSA can begin by making limited wording and organizational changes to the current PEBES. However, SSA needs to make more extensive revisions to the PEBES to ensure that the statement communicates effectively. Since there is no clear consensus on how best to present the PEBES information, revising the

PEBES will require time to collect data and develop and test alternatives. SSA must be sure any changes result in improved reader comprehension and a manageable level of public inquiries. It will need to start now and adhere to a rigorous schedule to complete these changes in order to meet its 1999 redesign target.

4. How has SSA gone about making its decisions regarding PEBES development and what has been the result up until now?

The PEBES has been developed piecemeal by a team of representatives from various SSA offices. Over time, the team revised and expanded the statement in response to feedback on individual problems. As a result, SSA appears to have lost sight of the cumulative effect of these changes to the document, and the statement became too long and complex.

5. In your opinion, does SSA now clearly understand Congress's intent to send a statement to workers that is clear, concise and useful? Are you confident that SSA will make the necessary changes in time?

In response to a December 1996 GAO report summarizing the results of our work on PEBES' usefulness to the public (SSA BENEFIT STATEMENTS: Well Received by the Public But Difficult to Comprehend, GAO/HEHS-97-19, December 5, 1996), Commissioner Chater said SSA officials "agree that the current format of the statement can and should be improved to make it more understandable and user-friendly for recipients. A workgroup chaired by the Associate Commissioner for Program Benefits Policy has started examining the specific problem areas GAO identified and will recommend several alternative formats for further agency evaluation and testing."

SSA officials told us that they hope to (1) develop these alternative PEBES prototypes, (2) test public reaction and determine the attendant workload for each option, and (3) complete final selection of the revised PEBES by mid-1998--in time for the 1999 bidding and contracting cycle.

6. In your discussion with recognized experts in the field of private-sector pension benefit statements, and document design and communications, what specific suggestions did the experts make to improve the PEBES statement and make it an effective financial planning tool? What was their reaction to the current SSA PEBES statement?

In general, the experts agreed that the PEBES was too long and too complex. It presents too much information, which may overwhelm the reader. However, a standard benefit statement model does not exist, and there is no clear consensus on how best to present benefit information. The design expert and other benefit experts we consulted suggested that the PEBES layout and design should be improved. Specifically, SSA could (1) provide a more concise and inviting explanation of the purpose of the statement, (2) make better use of bulleting and highlighting to improve the layout and design, (3) reorganize the statement to provide information where it is needed, and (4) simplify its program and benefit explanations.

7. What was the schedule SSA used to send out PEBES statements in 1995 for all workers who had reached age 60? By this I mean, were the statements sent out alphabetically, chronologically or by Social Security number and divided by months?

In 1995, SSA was required to send a PEBES to all eligible individuals aged 60 and over. This group included individuals who had a Social Security number, had wages or net earnings from self-employment on record at SSA, were not currently receiving Social Security benefits, and had a current address obtainable by SSA. SSA decided not to send statements to individuals who had requested and received a PEBES in approximately the past year.

To meet the PEBES requirements, SSA staggered the required mailings on a weekly basis throughout the year. To stagger the mailings, SSA separated a list of eligible individuals aged 60 and over into four groups by date of birth, corresponding to quarters of the year. Next, SSA further divided these lists into smaller segments for weekly processing, based on the last two digits of each individual's Social Security Number. This further division ensured that batch mailings would be spread throughout the country geographically. The data for each batch was electronically transmitted to the commercial contractor weekly for printing and mailing of the statement. In 1995, SSA sent an average of 200,000 records to the contractor each week.

Chairman BUNNING. With that, the hearing is adjourned.
[Whereupon, at 12:35 p.m., the hearing was adjourned.]
[Submissions for the record follow:]

Statement of

American Federation of State, County and Municipal Employees
 Communication Workers of America
 Service Employees International Union
 Union of American Physicians and Dentists
 United Auto Workers of America

Submitted to the Committee on Ways and Means
 Subcommittee on Social Security

September 26, 1996

This testimony is being submitted for the record by five unions who represent workers employed by the state Disability Determination Service (DDS) agencies. Collectively, we represent close to 10,000 DDS employees across the United States, including examiners, adjudicators, medical and psychological consultants, and technological and support staff. On their behalf, we would like to thank the Chairman and members of the Subcommittee for this opportunity to comment on certain aspects of the redesign process.

No group concerned with the disabled has been more aware of the growing difficulties in the Supplemental Security Income (SSI) and Disability Insurance (DI) programs than the DDS staff who process the claims. While applications for SSI and DI have risen dramatically over the past few years, staffing has remained relatively flat. Examiners routinely have caseloads of between 100 and 300 claimants, as compared with average caseloads of 40-50 cases only ten years ago. Not surprisingly, state agencies face a large backlog of cases.

Our members agree that this situation cannot continue and are strongly supportive of measures to remedy it. Frontline DDS workers and their unions have been involved in the redesign of the disability process since its very beginning. In addition to commenting on many of the redesign proposals, unionized DDS workers have served on the Disability Process Redesign Team's Internal Advisory Committee and participated on task teams established to flesh out the details of Redesign. Frontline DDS workers and their unions are participating in the Adjudication Officer and the Single Decision Maker pilots and will be participating in the upcoming Disability Claims Manager (DCM) pilot.

In our last appearance before this Subcommittee, in May of 1995, we expressed our concern about certain aspects of the Redesign. Some of those concerns have been addressed, but some still remain. In what follows we want to review some of the key issues that we believe the Subcommittee should be monitoring.

Disability Claims Manager (DCM) pilot

The first issue which concerns state union members is the accelerated implementation of the Disability Claims Manager pilot. DDS workers are still not convinced that this position is a viable position for just one employee to fill, but are willing to participate in the pilot.

DDS workers' main concern is that the test is being implemented prematurely. The DCM is based on coordination of many other factors or "enablers" designed to make the position workable. SSA will be implementing the DCM pilot without all of the enablers in place. This causes great concern for frontline workers who will be participating in the pilots without the necessary supporting systems. Additionally, DDS examiners are concerned that there will not be adequate technological and support staff for the pilots and this will have an impact on the performance of the state DCMs.

Teaming Pilots

As an alternative to the DCM, state unions support the concept that a federal and state employee can be teamed up to process claims more efficiently and is enthusiastic about the redesign efforts on teaming. The teaming concept is a variation on the DCM position, one which frontline DDS workers and their unions agree is more viable than the DCM.

Elimination of the Requirement for a Medical or Psychological Consultant Sign-off

The state unions oppose the elimination of the requirement for a medical or psychological consultant sign-off for each claim because this compromises the integrity of a medically-based disability program. This scenario is being tested in the Single Decision Maker pilot. State adjudicators or examiners who are participating in the pilot have the option of requesting that a medical consultant review the application in complicated cases. However, there is anxiety among DDS examiners that if they request reviews too frequently, they will be subject to negative personnel actions. There is also the concern that they are being asked to perform a function for which they have not received adequate training, i.e., medical school. A high level of anxiety on the part of the employees participating in the pilot undermines the credibility of the pilot's results.

Our members propose that this issue is one of such importance that the entire notion of what constitutes medical disability is in question. If this system is to be medically based, it must necessarily have the input of persons who are physicians. If a decision is made that the system is not medically based, state adjudicators without a medical degree can perform the determination with some basic training. However, we would alert this Subcommittee that if the program is not going to be medically based with the mandatory involvement of physicians, the likelihood of fraud and abuse increases.

State unions will continue to participate and monitor disability Redesign and will be happy to provide this Subcommittee with our recommendations on Redesign implementation in the future.

September 12, 1996

Subcommittee on Social Security
c/o Phillip D. Mosely
Chief of Staff, Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Re: **Reforming the Social Security Disability Adjudication
Process - Critical Deficiencies in the Redesign**

Dear Members of the Committee,

I am currently serving as an Adjudication Officer in the West Des Moines, Iowa pilot site. I have previously served as an Attorney-Advisor in Memphis and Knoxville, Tennessee and as a Senior Attorney-Advisor in Knoxville, Tennessee. Prior to my joining the Social Security Administration [SSA] I was in private practice, which included some Social Security cases. This varied background has provided me with a first hand view of the potential impact of the Adjudication Officer [AO] and Senior Attorney-Advisor [SAA] programs.

Both these programs were designed to essentially address the same problems, 1.) how to ensure disability cases appealed to the Office of Hearings and Appeals [OHA] receive appropriate evidentiary development before hearing; and 2.) that cases deserving of an award on-the-record, are issued promptly in the form of a legally sufficient and defensible written decision. Currently, the Adjudication Officer is scheduled to become a permanent position as part of the Redesign. In contrast, the Senior Attorney-Advisor position is temporary and is expected to end within the next four months, unless renewed.

Review of the upcoming SSA workload, test results, and the state of the combined Federal and State workforces involved in disability determination, leads to the conclusion we would be better served by reversing the policy regarding the permanency of the Adjudication Officer vs. Senior Attorney-Advisor programs. Both programs have been effective in expediting case development and issuing favorable decisions where appropriate. Recent statistics have shown that Administrative Law Judge allowance rates have been dropping since the implementation of these programs. Thus there has been little change in the overall allowance rate.

In theory, both programs have the potential to reduce the subsequent workload at the receiving Office of Hearings and Appeals. However, the Senior Attorney-Advisor model actually has much better potential to help overall processing time. It develops cases more efficiently and in a manner more useful to the OHA than the Adjudication Officer model. Furthermore, it does not have the profound negative impact on the other workloads within the overall process that will result from full implementation of the current Adjudication Officer proposal.

In my own experience I find that I am able to complete review and preparation of a case as a Senior Attorney-Advisor much faster than I can as an Adjudication Officer. I attribute this to several factors. 1.) The nature of written reports necessary for cases that continue to hearing. 2.) The availability of clerical help to assist with evidentiary development. 3.) Access to Administrative Law Judge [ALJ] input. 4.) Caseload management issues. The Senior Attorney-Advisor has the advantage in each of these areas.

The Reports

As a Senior Attorney-Advisor I only needed to provide a short report of one or two paragraphs highlighting the critical issues of the case that will progress to a hearing. Review of the case and completion of this report can be completed in less than an hour. Typically the form requires very little, if any revision. This is true even when there is additional development. If development is needed I can immediately obtain access to clerical help who will process the development request, permitting me to focus on legal analysis, report writing and decision drafting.

As an Adjudication Officer I have been instructed to complete a two to five page form that: 1.) contains a significant amount of irrelevant, inappropriate and/or unnecessary information; and 2.) takes hours to complete and often requires extensive revision. The Summary of Evidence and Agreements (SEA) form requires summarization of all the medical evidence, and a regurgitation of the information already described in the DDS initial and reconsideration determination forms. Both these requirements are very time consuming. It is my understanding that these requirements were intended to assist ALJ's and decision writers. This intent was commendable but the nature of the form reflects ignorance of the true function of the judges and writers.

The nature of these requirements is especially frustrating since such information is of little help to decision writers or ALJ's. The exhibit by exhibit summary is unnecessary. Both writers and judges are charged with reviewing the record, not someone else's summary of it. Neither can rely on such a summary and properly carry out their duties. They must review the record themselves. Furthermore, high quality written decisions do not require an exhibit by exhibit summary. They require a reasoned analysis of the evidence and its application to the law.

The rehash of the information contained in the prior determinations is doubly wasteful. First, the information is already contained in a concise form in the file. Second and more importantly, the information is largely irrelevant. The review at the hearing is de novo!

This form was not contemplated in the original redesign. The September 1994 plan contemplates the Adjudication Officer as providing focus to the case by identifying the issues, not by performing the largely clerical function of summarizing medical evidence, especially when that clerical function has been abandoned by OHA offices as an inefficient use of resources.¹

The claimant's representative is expected to sign this form before the case can go forward. This further delays the process by days or even weeks. It reduces the amount of practical information available to the ALJ. Highlighting any weak points of the case on the form would result in objections by counsel (on the grounds that the Adjudication Officer input was improperly influencing the Administrative Law Judge's decision).

Clerical Help

The Adjudication Officer pilot offices have all been severely hampered by the lack of sufficient clerical help. This was a major complaint raised at conference calls and the recent site manager conference. Adjudication Officers are thus forced to perform significant amounts of clerical

¹ See, Plan for a New Disability Claim Process, September 1994. SSA Pub. No. 01-005 at p. 33 - 34.

work [much of which is unfamiliar to the AO's], keeping them from their primary duties of case analysis and decisionmaking. Furthermore, some of the clerical personnel assigned to the pilots have not had necessary training to perform needed clerical tasks, exacerbating the workload problems in the AO pilots.

Senior Attorney-Advisors have access to the full contingent of experienced clerical staff at the OHA. Therefore, medical records requests and other evidentiary development can be delegated quickly and effectively.

Access to ALJ input

The separation of the Adjudication Officer from the OHA office in the pilots has compelled the establishment of a "firewall" between the Adjudication Officer and the Administrative Law Judge. This often results in Adjudication Officers having to overdevelop cases to assure their acceptance by the most demanding ALJ's in an office. It also makes it much more difficult to obtain meaningful feedback from the recipient of one of the AO's principal products: the case certified for hearing. This is contrary to the original concept of the redesign, in which the AO and ALJ were expected to "work closely". The redesign plan specifically envisions the AO consulting with the ALJ on a regular basis.²

In contrast, the Senior Attorney-Advisor remains an integral part of the OHA office and has easy access to the ALJ's. He/she is permitted and expected to consult with them on appropriate cases. This contact helps expedite the handling of many functions and fosters teamwork. The relationship of the Senior Attorney-Advisor to the Administrative Law Judge is much truer to the redesign's vision for AO/ALJ relations than what has been implemented in the AO pilots.

Caseload management

AO's in the pilots typically have caseloads exceeding 100 pending cases, when the optimal caseload has been described as 60 - 80. It is exceedingly difficult to manage a caseload of this size. It is nearly impossible to maintain timely follow-up contacts. I believe acquisition of LAN ready contact manager software would help the AO's significantly, but 100 cases would still be unmanageable. In contrast, Senior Attorney-Advisors have much smaller caseloads and can release cases to other personnel much faster. Thus they are able to keep much better track of their cases.

These reasons should be enough to justify reworking the AO/SAA programs to make the permanent program follow the Senior Attorney-Advisor approach. There are other reasons, even more persuasive. The most critical of these is the impact of full implementation of the competing programs on the other disability determination components. These competing programs will have a very different impact on the overall workloads in the state disability determination services [DDS's] and OHA's. The Senior Attorney-Advisor program obviously has no impact on the DDS or SSA field office workforce. It was expected to have some negative impact on the capacity for regular decision writing. This impact was markedly lessened since the Senior Attorney-Advisors continue to draft decisions for Administrative Law Judges in addition to their prehearing duties. Generally the cases the SAA's write are the most difficult in the office.

²

See, Plan for a New Disability Claim Process, September 1994. SSA Pub. No. 01-005 at p. 33 - 34.

Furthermore, software improvements and increased computer experience have allowed many Senior Attorney-Advisors to increase their writing productivity to lessen the impact on OHA writing capacity. Thus, any adverse impact of the SAA program on other parts of the process has been minimal.

Current plans are to hire as many as 1200 Adjudication Officers. These people would all be current experienced DDS or SSA employees. Therefore, the current Adjudication Officer implementation plan will leave 1200 vacancies in the former components of the new AO's. Of course, this would severely impair those components' abilities to handle their remaining regular workload. The AO's are assigned to separate offices. They will not be available to assist with any of their former workloads. This is particularly problematic in: the DDS's where their workload has recently experienced major increases with the implementation of the new continuing disability review (CDR), drug and alcohol abuse [DAA], and childhood disability legislation; and in OHA where the most experienced Attorney-Advisors and/or Paralegal Analysts would be completely pulled out of the decision writing pool.

Finally, Adjudication Officers under the current plan will all have to be extensively trained to function in this new position, which is markedly different from their current position. They will all go through a considerable learning curve before they begin to have full impact. In contrast, the transition from Attorney-Advisor to Senior Attorney-Advisor is much easier and of course has already been completed for the current group of Senior Attorney-Advisors. It does not require significant additional training. Thus, expansion of the Senior Attorney-Advisor program is much less expensive than full implementation of the Adjudication Officer program.

Expanding the Senior Attorney-Advisor program will require hiring of replacement, entry level, Attorney-Advisors at a much higher number than in the past. I have addressed the advantages of hiring new attorneys vs. promoting clerical workers as writers in a previous submission to the Subcommittee dated June 5, 1995. I would also add that the hiring of additional attorneys would be especially advantageous in contrast to the expansion of the centralized writing units. The fact that the Attorney-Advisors are in the local hearing offices give them a critical advantage over decision writers in centralized writing units. The ease of communications with the Administrative Law Judges goes far to expedite decision writing. Many problems arise when a writer in a central unit is unable to understand an instruction and is not able to easily contact the Administrative Law Judge for clarification. This is compounded by the fact that the Administrative Law Judges have no timely method to provide feedback to the centralized writers. Having the writers in the local office avoids these difficulties.

The approach I have described here has clear advantages for the entire agency. It is less expensive and less disruptive to other Agency work. It will promote more effective prehearing case handling. It will also act to improve post hearing decision writing quality and capacity. It will effectively reduce processing time for the claimant, regardless of the impact on any one component.

³ "SSA measure[d] the process from the perspective of the component organizations involved, rather than from the perspective of the claimant." Plan for a New Disability Claim Process, September 1994. SSA Pub. No. 01-005 at p. 11.

There are other advantages with using attorneys as Adjudication Officers in contrast to filling the

I ask you to please reconsider the implementation of the current proposal. While well intended, the current design will exacerbate as many problems as it solves. My counterproposal is much more likely to give you results in keeping with the announced goals of the redesign. The Adjudication Officer program should not be implemented as currently designed. Instead, the Senior Attorney-Advisor program should be expanded and made permanent.

Sincerely,

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in my individual capacity
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positions with non-attorneys addressed in previous letters including my June 5, 1995 submission coauthored by Rebecca C. Brown.

**STATEMENT OF LARRY JACKS, DIVISION LEADER
OFFICE OF DISABILITY DETERMINATIONS
PUBLIC EMPLOYEES FEDERATION**

We want to thank the Subcommittee for its continuing National focus on the Disability Program. We too have major concerns regarding the Social Security Administration's (SSA's) Disability Process Redesign (DPR) and its impact on this vital safety net for our truly disabled citizens. DPR fails to adequately address fraud and abuse in the Disability Program.

SSA deserves praise for helping to raise a National discussion of the Disability Program with its Disability Process Redesign plan. Unfortunately the DPR is inadequate in many areas including its failure to include safeguards against fraud and abuse. We welcome the new SSA Inspector General's role in addressing this deficiency. Since Redesign's inception in April '94, we have repeatedly criticized SSA's Disability Process Redesign Team's (DRPT's) failure to include safeguards against fraud and abuse. Many of the Redesign's major components radically increase the potential for fraud:

- The proposal relies on a "certification" system that eliminates the strict medical documentation requirements now in place.
- The single decisionmaker, a.k.a. Disability Claims Manager (DCM), advocated by the DPRT places too much authority in one person and reduces the medical consultant to a peripheral role. Checks and balances are vital to preserve the Trust Fund's integrity.
- Without adequate safeguards, DPR proposes to increase the role of third party, advocacy groups and for-profit businesses (ie. attorneys) in the Disability process. It places unrealistic emphasis on trust, receptivity to education and voluntary compliance which does not guarantee Program integrity. Issues of secondary gain on the part of claimants and their representatives should not be ignored since they can lead to fraud, conflict of interest and lack of uniformity. SSA must not relinquish its authority and responsibility for claims development.

SSA had pledged not to implement Redesign initiatives until safeguards to prevent fraud and abuse were in place. We are concerned that this commitment has not been met. Our experience suggests that current referrals for potential fraud are not adequately investigated. Front line staff have little confidence that SSA is genuinely interested in identifying and pursuing these issues. Left unchecked, Redesign will exacerbate these problems and create new ones. We welcome greater involvement by the Inspector General, not only to investigate individual cases, but to provide leadership to the DPRT regarding the dangers inherent in the Redesign plan.

The State Disability Determination Services with modest additional resources have made progress in reducing claim backlogs and processing time despite a barrage of policy and technological changes that lack a consistent direction. The Disability Program needs sensible change... it is not broken! The DPR has not been able to provide effective short term solutions to these problems and has been the greatest obstacle to constructive change. It has siphoned off valuable staff and resources. By emphasizing the legalistic rather than the medical aspects of the Program, we are now even farther away from a real solution. Congress must continue its leadership role in redirecting SSA's efforts so that both the truly disabled and the taxpayers are protected. We recommend the following:

- Place a moratorium on any further implementation of SSA's Disability Redesign until Congress receives adequate assurance that issues such as fraud and abuse, Program intent and Trust Fund Integrity are resolved.
- Establish **time limited** benefits in appropriate impairment categories.
- Remove vocational considerations in disability decisions for applicants under age 50 but provide a real commitment to vocational training and rehabilitation initiatives for these younger workers.
- Clarify the adjudicative weight given objective medical evidence vs. subjective elements such as allegations, treating source opinions. This would help achieve authentic Process Unification between the DDS's and the ALJ's.
- Revise the Administrative Procedure's Act to give SSA the requisite authority to manage the OHA 's, including an effective quality assurance system for ALJs. This was highlighted in GAO report GAO/HEHS.96-87.
- Create a Social Security Court, to provide uniform review of SSA decisions and consistent interpretations of regulations, replacing the current system of 89 Federal District Courts and 13 Circuit Courts each issuing disparate decisions.
- Close the case file after DDS actions are completed, unless there is good cause for late submission of these reports. This should decrease the incidence of individuals withholding relevant medical evidence which causes further backlogs at OHA.

We appreciate the opportunity to discuss these ideas with you and applaud the leadership of the committee in helping to resolve the problems in this national program.

